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# *Daily Report*

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# China

**FBIS-CHI-88-211**  
**Tuesday**  
**1 November 1988**

# Daily Report

## China

FBIS-CHI-88-211

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1 November 1988

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**General**

**U.S. Moves To Ease Relations With DPRK**  
*OW0111084588 Beijing XINHUA in English*  
*0100 GMT 1 Nov 88*

[**"U.S. Moves To Ease Relations With North Korea"—XINHUA headline**]

[Text] Washington, October 31 (XINHUA)—The State Department today announced several measures to ease relations with the Democratic People's Republic of Korea [DPRK] that would permit substantive diplomatic contacts, travel by private citizens and limited access by Pyongyang to the U.S. markets.

Spokesman Charles Redman said the United States Government will encourage "unofficial, non-government visits" from the DPRK in academics, sports, culture, and other areas so long as prospective DPRK visitors are eligible under U.S. visa laws.

Meanwhile, it will facilitate the travel of U.S. citizens to North Korea by simplifying currency regulations.

On trade, Redman said the U.S. is reviewing commerce regulations with a view toward permitting certain limited commercial exports of humanitarian goods to the DPRK, such as foodstuffs, clothing, and medicine.

However, "general commercial trade remains unlawful. It remains regulated strictly under provisions of the Trading with the Enemy Act and the Export Administration Act," the spokesman said.

On diplomatic contacts, Redman said U.S. diplomats have been instructed that they may once again hold "substantive discussions" with officials of the DPRK in neutral settings, a measure was seen as an end of a period when U.S. diplomats were forbidden to speak to North Koreans under any circumstances.

The U.S. spokesman added that the United States has taken these steps in close consultation with South Korea and with other interested parties. "We have informed the governments of the People's Republic of China and the Union of Soviet Socialist Republics and asked that they convey our views to the Democratic People's Republic of Korea," he said.

"We look to the DPRK Government for a positive, constructive response," Redman said.

Redman said the U.S. steps have been taken to support South Korean President No Tae-u's initiative. "We believe that it also serves our interests in promoting stability on the Korean peninsula," he said.

But he added, "We have a very strong and steady policy of providing a deterrent capability to assist our Republic of Korea allies. And that certainly will continue to be a key portion of our policy."

**Sihanouk Says Khmer Rouge Inclusion Necessary**  
*OW2910045488 Beijing XINHUA in English*  
*0103 GMT 27 Oct 88*

[Text] London, October 26 (XINHUA)—A future Kampuchean Government must include the Khmer Rouge, Prince Norodom Sihanouk said today.

Sihanouk, in London on a 2-day private visit at the invitation of British Prime Minister Margaret Thatcher, was speaking to reporters after his meeting with Foreign Secretary Sir Geoffrey Howe this afternoon.

"Without the Khmer Rouge we cannot form a government," he said.

Sihanouk also said that the Khmer Rouge should also be included in the Army.

A British Foreign Office spokesman said that at his meeting with the British foreign secretary, Prince Sihanouk outlined his immediate plans for progress on the Kampuchean problem.

"He was satisfied and grateful for the level of support that he was receiving from the British Government although he did not ask for any specific assistance," the spokesman said.

He said that Howe once again reiterated Britain's views that the former leader of the Khmer Rouge should be excluded from a future Kampuchean Government.

"The Prince said that it was his view that a coalition could contain moderate elements from the Khmer Rouge," the spokesman said.

Sihanouk said that he continued to think that the United Nations could help in achieving an eventual settlement for the Kampuchean problem and Howe said that Britain would play a constructive role in the U.N., he added.

Sihanouk met with Mrs. Thatcher at No. 10 Downing Street yesterday afternoon. Mrs. Thatcher offered her support for his initiative to bring peace to Kampuchea.

Earlier today, Chinese Ambassador to Britain Ji Chaozhu called on Sihanouk at the Hyde Park Hotel where the Prince is staying during his visit in London.

Sihanouk will return to Paris tomorrow for a third round of talks with Hun Sen, prime minister of the Vietnamese-backed regime in Phnom Penh.

**Thai, Australian Discuss Cambodia**  
*OW3010030188 Beijing XINHUA in English*  
*1433 GMT 28 Oct 88*

[Text] Bangkok, October 28 (XINHUA)—Thai Foreign Minister Sitthi Sawetsila today met visiting Australian Foreign Minister Gareth Evans. They have discussed the Kampuchean problem.

A Thai Foreign Ministry spokesman told reporters after the meeting that the two sides shared the view that to solve the Kampuchean problem it is necessary to follow closely the developments of various aspects of the problem, including the meeting between Samdech Norodom Sihanouk and Hun Sen, the meeting between officials of China and the Soviet Union, and the meeting between the United States and the Soviet Union.

Sitthi told Evans that he has asked the U.S., during its talks with the Soviet Union, to stress the need of sending an international peacekeeping force to Kampuchea, according to the Thai spokesman.

So far, the Soviet Union has not agreed to the idea, the spokesman noted.

Sitthi also asked the U.S. to stress the importance of withdrawal of Vietnamese troops from Kampuchea.

The two ministers also discussed the Indochinese refugee problem. Sitthi consulted Evans on the possibility of Australia hosting an international conference on the problem.

He disclosed that the conference may be held in April or May next year.

Evans arrived here yesterday for a visit to Thailand as part of his tour to member countries of the Association of Southeast Asian Nations. Before coming to Thailand, he had visited Indonesia, Malaysia and Singapore.

The Australian minister leaves here tomorrow.

**U.S. Says FRG Will Not Sell Technology to USSR**  
*OW3010040088 Beijing XINHUA in English*  
*0714 GMT 28 Oct 88*

[Text] Washington, October 27 (XINHUA)—The U.S. State Department said today that Federal Germany has promised to prevent the sale of militarily sensitive technology to the Soviet Union.

"We have received assurances from the Federal Republic of Germany that it will observe established COCOM (Coordinating Committee for Multilateral Export Controls) procedures when it comes to carrying out the various commercial agreements recently signed by German firms and Moscow," State Department spokesman Charles Redman said.

COCOM determines what technology NATO members and Japan can sell to the Soviet Union and other East European nations.

Redman did not disclose when the West Germans had given the assurances, but news reports said that the assurances were made last week, before Chancellor Helmut Kohl started a four-day Moscow trip accompanied by some 30 businessmen who have signed contracts estimated at over one billion U.S. dollars with the Soviet Union.

The assurances were reportedly given to U.S. Ambassador Allan Wendt, a specialist of the State Department on export controls, who held talks in Bonn, Paris, Rome and London as part of regularly scheduled consultations on COCOM.

The United States, which fears Federal German businessmen might export advanced technology to the Soviet Union, has also told Federal Germany and other allies in the COCOM not to be lulled into a false sense of security by recent Soviet economic reforms.

The Paris-based COCOM has been seeking to "strengthen and streamline its controls" on technology transfer in response to the economic reforms in Eastern Europe, Redman said.

While stressing that the United States and its allies have a consensus on East-West economic relations, Redman said that the United States and its allies "can, and sometimes do, differ on the specifics or exactly what needs to be done ... to ensure that we have strong barriers around critical technologies."

The United States and its allies share a common approach to technology transfer based on "practical realities and concrete achievements which most effectively prevents Soviet acquisition of militarily significant technology," he said.

**'Commentary' on U.S.-USSR Contention in Space**  
*HK2810151588 Beijing JIEFANGJUN BAO*  
*in Chinese 9 Oct 88 p 4*

[“Weekly Commentary” by Dongfang Tie (2639 2455 6993): “A New Starting Point in U.S.-Soviet Contention for Military Superiority in Outer Space”]

[Text] On 3 October, the U.S. space shuttle “Discovery” returned to Edwards Air Force Base safely after having successfully completed a 4-day space flight. The success of this astronauic operation has enabled the United States to save the situation in space activity. In Reagan's words, “The United States has returned to space.” But this remark has an implication: It also marks the U.S. return to the starting line in the contention for superiority in the field of space military technology. A report by the U.S. WALL STREET JOURNAL said the U.S. space

shuttle launch program for 1988-90 includes seven flights designated to carry out "secret missions assigned by the Pentagon" and some "experiments for the Strategic Defense Initiative."

It was on the same day as "Discovery" was launched that the Soviet Union's TASS filed a news item which gave people much food for thought, reporting that the Energia, a general rocket which serves as the Soviet space transport system, was ready for launch. Relating this to a series of astronautic flight plans to be initiated by the United States, people have every reason to believe that a new round of competition will begin between the United States and the Soviet Union in the field of space science that is closely related to military development.

Since the exploding of the U.S. space shuttle "Challenger" in January 1986, the Soviet Union has taken the opportunity offered by U.S. repeated setbacks to step up its research into astronautic technology. In 1986, the Soviet Union successfully launched Peace, a permanent space station which has six docking berths [dui jie kou 1417 2234 0656], and conducted experiments on laser and particle beam [li zi shu 4721 1311 2631] weapons on this space station. After that it completed flights between different orbit stations and joining operations with these stations [bu tong gui dao zhan de fei xing he dui jie 0008 0681 6510 6670 4541 4104 7378 5887 0735 1417 2234]. The Soviet Union's astronautic activities accounted for 90 percent of all the space flight missions launched from the earth that year. In May 1987, the Soviet Union again launched a large payload [da gong lu 1129 0501 3764] carrier rocket named Energia and a reusable space ship. The Energia's useful load is nine times that of the U.S. space shuttle. Now the Soviet Union also has its space shuttle erected on its launching pad. In face of the Soviet Union's challenge, the U.S. has turned as restless as an ant on a hot pan. For this reason, even in 1987, which witnessed a depression in astronautic exploration, the Reagan administration still supplemented its appropriation for military research in outer space to a level that amounted to 85 percent of its investment in scientific development, a more than 20 percent increase over 1980.

The contest between the United States and the Soviet Union in this area indicates that the tendency of detente has not mitigated the contention between the two superpowers for military superiority. The only change is that the focus has now been shifted from the contention for superiority in military strength to that for superiority in military technology. Part of this technology we are talking about here can be quickly turned into superiority in military strength, while the rest may not be turned into readily useful equipment or be deployed within a very short time; but the latter's role is by no means less important than the former's in increasing the military strength of the two countries. Not long ago, FORTUNE, a magazine published in the U.S., noted that technology

implies "economic and military dominance." The magazine's remark pointed out sharply the real aim of the United States and the Soviet Union in seeking technological superiority.

The contention for technological superiority between the United States and the Soviet Union involves many fields, mainly comprising electronics and information technology, new energy technology, and astronautic technology. U.S. astronautic technological research and its space militarization program are linked to each other, serving as the "leading force" for the exploration of sophisticated technology and frontier sciences in the U.S. today. As long as this "leading force" fails to work, scientific development as a whole will lack impetus. Current developments show that astronautic technology is the field in which the Soviet Union is most likely to catch up with the United States. The U.S. Center for International Strategic Studies recently warned that the United States has lagged behind the Soviet Union and no longer maintains the leading position in the astronautic industry. Although this remark is somewhat exaggerated, it points out the fact that the United States is now under serious threat. Western strategists believe that the winner in this competition will be the one which first manages to extricate itself from the economic, scientific, and technological dilemma. For this reason, the U.S. must free itself from the stagnation of the astronautic industry and try to gain the strategic initiative if it is determined to defeat the Soviet Union in the contention for superiority.

The challenge to the United States in the field of astronautic technology comes not only from the Soviet Union but also from U.S. allies. In the past 2 years, during which the United States has cut its space activities, West Europe has made great progress in the development of the Ariane carrier rocket and applied satellite technology, and it will possibly launch its first manned space flight with the space shuttle "Mermaids" [mei er mei si 2734 1422 2734 2448] in 1 or 2 years. If this materializes, the U.S. attempt to involve West Europe in its Strategic Defense Initiative will come to nothing and, in the long run, U.S. leadership over its Western allies will also be weakened. Meanwhile, although Japan relies on the United States in astronautic technology, it is very likely to catch up with and surpass the United States in many other fields. The very purpose of the United States in eagerly carrying out research in astronautic technology is to regain "overwhelming technological superiority."

There is no doubt that any progress in the development of astronautic technology, whether achieved by the United States or the Soviet Union, will be gratifying; but if efforts in this field are brought under the space militarization program with a view to seeking military superiority, it will run counter to the desire of the people of the world.

**'News Analysis' of USSR-FRG Relations**  
*OW2910003788 Beijing XINHUA in English*  
*1830 GMT 27 Oct 88*

[*"News Analysis: A Turn in Soviet-Federal German Relations, by Zhu Chengjun"—XINHUA headline*]

**[Text] Moscow, October 27 (XINHUA)—**Federal German Chancellor Helmut Kohl told reporters here Wednesday [27 October] that his visit has opened "a new chapter," not "a new page," in the annals of Federal German-Soviet relations.

During 10 hours of frank talks, Kohl and Soviet leader Mikhail Gorbachev discussed bilateral relations, disarmament, and cooperation between the two countries. The Federal German foreign minister and defense minister also held talks with their Soviet counterparts.

Several cooperation agreements were signed, concerning a first program of cultural exchange, joint space flights, environmental protection, prevention of sea accidents, and mutual communication of nuclear energy information.

The turn comes as a result of the two countries' efforts and mutual need.

In the late 1970s and early 1980s, relations were cooled by the Warsaw Pact and NATO decisions to deploy intermediate-range nuclear missiles in Europe.

Since Gorbachev took office in 1985, the Soviet Union and the United States have held four summits, helping to thaw Soviet-Federal German relations.

The Soviet Union needs funds and technology for its economic reforms, and Federal Germany is very strong in this respect. Prior to Kohl's visit, some Federal German financial groups had decided to offer the Soviets 3 billion marks (1.53 billion U.S. dollars) to help modernize the consumer goods and food industries.

However, Moscow and Bonn continue to differ greatly in respect to disarmament, the division of Germany, and human rights.

Consequently, observers here have the impression that both sides gained more economically than politically from Kohl's visit.

Even so, Kohl's visit and Gorbachev's visit to Bonn next year are important in the history of relations between the two countries, and the change is expected to have far-reaching influence in Europe.

**XINHUA Views EC-USSR Economic Ties**  
*OW3110022688 Beijing XINHUA in English*  
*0633 GMT 30 Oct 88*

[*"Analysis: EC, USSR Look to Broader Ties (by Zhuge Changlin)"—XINHUA headline*]

**[Text] Brussels, October 29 (XINHUA)—**The European Community (EC) and Soviet Union are scheduled to resume exploratory conversations in early November to promote closer relations.

It will be their first meeting since they established diplomatic relations in August.

Earlier, the Soviet Union had extended signs that it wanted to "develop cooperation as wide as possible" with the EC in both trade and other aspects of the economy. The EC, meanwhile, agreed to explore with the Soviet Union the possible contents of a cooperation agreement. These were believed to go beyond trade affairs, which the EC formerly regarded as the first step in developing relations with others.

To pave the way for the agreement, the Soviets gave much publicity about the possible mutual benefits, saying the EC and Soviet Union should "opt for a strategy based on new thinking for improving European cooperation."

Soviet officials disclosed that they were ready to abide by the provisions of the General Agreement on Tariffs and Trade (GATT) and work out relevant legal regulations that could be recognized by the world in a bid to strengthen its ties with Western Europe.

The Soviets hoped for an agreement that would include industrial cooperation, operational regulations for joint ventures, and conditions for technological cooperation.

The EC has said the agreement must benefit both sides and that the Soviets should make "commercial facilities" available to Western European countries.

The EC proposed that any ties should begin with environmental protection, energy, transport, and fisheries.

Even though it is making headway with its economic and political reforms, the Soviet Union needs advanced scientific technologies and economic assistance from its Western European neighbors to help solve its domestic backward technology, and lack of funds and raw materials.

The Soviet Union also can gain international political advantage and have more counters in its negotiations with the United States and can enhance its world position by enhancing its economic strength.

Most EC member countries welcome the Soviet reforms as being in the interests of Western Europe. And they hope these changes will continue to benefit the EC countries.

In the economic sphere, the Soviet Union is a close and potential market for EC nations. However, trade between Western Europe and the Soviet Union has fallen instead of progressing in the past few years.

The EC wants to promote East-West dialogue and cooperation in Europe and strengthen the continent's peace and security by expanding relations with the Soviet Union. Meanwhile, it also hopes for more practical progress in economics and trade.

Soviet-EC contacts toward an agreement are still in an explorative stage and differing opinions exist on the content and objective of an agreement. Negotiations promise to be tough. But as a senior Soviet official said, since both sides desire cooperation, possibilities are good that an acceptable agreement can be reached through concession and compromise.

**Iraqi-U.S. Relations Show 'Some Improvement'**  
*OW3110051088 Beijing XINHUA in English  
0248 GMT 31 Oct 88*

[Text] Baghdad, October 30 (XINHUA)—Iraq-U.S. relations showed some improvement with three U.S. delegations visiting the Iraqi capital of Baghdad during the past three days.

U.S. Deputy Assistant Secretary of State for Middle East Affairs Peter Bailly and Sales Director-General of the U.S. Agriculture Department Melvin Sams and a delegation of U.S. Senators' aides are currently on visit to Iraq in an effort to improve bilateral relations.

Although the Iraqi media did not reveal details on these visits, diplomatic sources here believe the visits by the U.S. delegations seem to be a step by the U.S. to improve relations with Iraq through boosting economic and trade relations after a cooling of relations between the two countries in the past two months.

The U.S. had good relations with Iraq in the last stage of the eight-year-old Iraq-Iran War especially following the direct clash between the U.S. and Iran in the Gulf waters.

However, the U.S.-Iraqi relations were strained after the U.S. accused Iraq of using chemical weapons against Kurds in northern Iraq following Iran-Iraq ceasefire.

The U.S. Senate and House of Representatives decided to impose economic sanctions on Iraq last September for the allegation. The sanctions included freezing economic aid or loans to Iraq as well as a ban on technological transfer and freezing Iraqi exports to the U.S. and restricting U.S. exports to Iraq.

Iraq depended heavily on farm and food imports from the U.S. as American farm product exports to Iraq reached 600 million U.S. dollars last year, while U.S. imports of Iraqi crude oil amounted to 500,000 barrels per day.

**United States & Canada**

**Michael Dukakis Embraces 'Liberal' Label**  
*OW0111074188 Beijing XINHUA in English  
0105 GMT 1 Nov 88*

[Text] Washington, October 31 (XINHUA)—U.S. Democratic presidential candidate Michael Dukakis embraced the label of "liberal" Sunday [30 October], ending a long effort to avoid what Republicans have been trying to pin on him for months.

Dukakis told an audience in Fresno, California, "Yes, I'm a liberal in the tradition of Franklin Roosevelt and Harry Truman and John Kennedy," adding that these were presidents who were "on the side of average families."

In their second debate 2 weeks ago, Dukakis was angry over Bush's frequent mentioning of the word liberal to describe him.

Dukakis asserted that the election was about competence, not ideology, and told a succession of cheering rallies Sunday that he was, in fact, a liberal.

But this liberal, he said, was a very different species from the one Bush has been portraying.

Bush has successfully gained influence by repeatedly portraying Dukakis as a liberal who is soft on defense and on crime. By calling Dukakis a liberal, Bush tried to paint his opponent as being isolated from the mainstream of American society in an attempt to scare those undecided voters, or the swing voters away from the Democratic Party.

Polls showed that 27 percent of registered voters said in May that they considered Dukakis a liberal, while 42 percent said so in October.

Although Bush leads in most polls, Dukakis is in high spirits to fight to the end as polls done for his campaign showing him making some gains in a few critical states.

He said that Bush "is coasting. We're fighting... We're taking our case to the American people."

He challenged Bush to a 1-hour debate on the night before election day, suggesting that both candidates "have a good, solid discussion of which one of us has what it takes to lead this country and unite this country." But the Bush campaign immediately rejected the proposal.

**Young Voters Prefer Republicans**  
*OW0111011588 Beijing XINHUA in English  
0052 GMT 1 Nov 88*

[Text] Washington, October 31 (XINHUA)—Young American voters are moving to the Republican Party largely because of the appeal that President Ronald Reagan holds for the young.

THE NEW YORK TIMES reported today that the Republican Party has made major strides in this election year and in the previous seven, not only holding but also expanding its advantage among young people.

A study of the responses by more than 5,000 young voters interviewed by THE NEW YORK TIMES and CBS News poll in the autumns of 1980, 1984 and 1988 showed that young people have decidedly shifted their allegiances, to the Republicans' benefit.

Democrats outnumbered Republicans among voters under 30 years old by a margin of 2 to 1 in 1980. Now, the parties are virtually even.

In 1980, only 20 percent of the voters between the ages of 18 and 29 years old identified themselves as Republicans; 42 percent of them said they were Democrats, and the rest called themselves independents or chose a minor party or no party at all.

Four years later, the same age group, now between 22 and 33 years old, started shifting: 28 percent identified themselves as Republicans, and only 35 percent called themselves Democrats.

The Republicans are near parity this year. Among voters between the ages of 26 and 37, the same age cohort, the figures were 33 percent Republican and 35 percent Democratic.

According to THE NEW YORK TIMES, many young Americans have come to accept the word conservative, though not necessarily for all the ideas connected with it.

In 1980, 28 percent in this group called themselves liberal; the figure dropped to 24 percent in 1984 and 18 percent this year. The proportion of conservatives increased from 25 percent in 1980 to 27 percent in 1984 and 32 percent in 1988.

Analysts said young Americans have known only Presidents Reagan and Jimmy Carter, and Reagan is the overwhelming favorite. Young voters who prefer Republican presidential candidate George Bush to Democratic presidential candidate Michael Dukakis explain their preference by saying that they do not want to return to the troubles of the Carter years.

Young Americans tend to favor low taxes and a strong national defense, but differ with traditional conservatives on social issues.

In THE NEW YORK TIMES and CBS News poll, young people, far more than anyone else in the electorate, are likely to say they prefer a "bigger government providing more service" rather than a "smaller government providing fewer services."

The trend has benefited Bush, who has done remarkably well in winning over the young in his comeback since summer.

A latest poll found that voters under 30 favored Bush by 64 percent to 28 percent. Bush did far better with these voters than with any other age group in the electorate.

**PLA Paper Views Readjustment of U.S. Defense**  
*HK0111075188 Beijing JIEFANGJUN BAO  
in Chinese 16 Oct 88 p 4*

[“Weekly Commentary” by Dong Fangtie (2639 2455 6993): “Economic Accounts of the Defense Experts”]

[Text] On the occasion of the U.S. presidential election, there have been an increasing number of comments by the U.S. military circles on readjusting the defense policy. The main reason for urging “readjustment” is that those defense experts are paying more and more attention to economic accounts.

Recently, Gene La Rocque, a defense expert, put forth a “new strategy for U.S. defense.” It is a typical example of looking at the question of defense with an economic view. However, this person is not a businessman, but a retired rear admiral now holding the post of director of the Washington Defense Information Center. He has been engaged in a strategic design for a long time, and his “new strategy” is really a most courageous money-saving strategy. According to this strategy, the U.S. needs no more than 40 attack submarines and 500,000 combat troops for its national defense; to resist nuclear attacks, it only needs some 3,200 pieces of nuclear weapons; and to aid its Western allies, it only needs more than 200,000 naval, ground, and air forces. In total, the U.S. armed forces, including nonmilitary personnel, can be reduced to 1.2 million from the current more than 2.1 million, its nuclear weapons can be reduced by 9,000 pieces, and its general defense expenditure can be cut down by  $\frac{1}{3}$  each year. A hubbub has thus arisen in U.S. military circles due to this earthshaking strategy. All those who are in favor of or against the proposal have each stuck to their own view. Despite the different views of various factions, the fact that La Rocque dared to put forth such a new proposal reflects to a certain extent a new choice facing the U.S. defense policy today.

Since the end of the World War II, the U.S. has been styling itself as an international gendarme and “patron saint” of the Western world. The U.S. military personnel have always been fond of doing “military accounts” and “political accounts” and have disdained doing economic accounts. In order to maintain its enormous global military setup, it has been spending large sums of money

on defense projects, and this has become a tradition. But today, it has finally discovered that the heavy defense expenditure has brought about serious consequences to its economy. Just as the rear admiral said: "The U.S. Treasury has become penniless today. In order to maintain government operations, we have to borrow some \$3 billion of debt every week. Our weekly military expense totals about \$6 billion, a large part of which are loans." Thus, people engaging in military defense work have to wear also a pair of economic glasses and learn to make careful calculations and to budget strictly. However, judging from the current situation of the U.S., the debate over the question of whether to reduce or increase military budget is still of no avail. It is necessary to carry out a bold and resolute reform of its defense strategy structure. For this reason, La Rocque called his scheme a "bearable and realistic new strategy for defending the U.S." The key lies in the word "bearable."

The greatest difference between the so-called "new strategy" and the previous ones is the difference between "defending the U.S." and "defending its allies." As people have often said: It is always the cheap market where most money is spent. At present, the U.S. is spending most money on its worldwide military commitments, or, as La Rocque said, on its "post sentries around the Soviet borders." In the past, the United States always gave a lot of reasons for this expense. Strategically, it was said to be aimed at "containing expansion," and in military affairs, it was said to be aimed at strengthening "the defense strategy on forward positions." In the final analysis, the U.S. was trying to take on everything that could be done by others. In this sense, it was quite like a volunteer fireman, or a "buffer," in the world. Wherever there was a fire, there was the "buffer." It seems that without it, no one else could put out the fire. With the relevant recession of its economic strength, the U.S. is now feeling its ability falling short of its ambitions and is becoming more and more resentful against its allies for "always getting a lift in its car" in defense affairs. In his "new strategy," La Rocque proposed changing the "defense strategy in forward positions" and gradually reducing or completely withdrawing U.S. troops in Europe and the Asia-Pacific region. In other words, the U.S. strategic deployment should be reduced so that the allies may perform more obligations in defense affairs and so that the U.S. will be able to concentrate its strength on the goal of "defending itself." This has the same source with what the United States did last year when calling off the preferential treatments for some countries in economy and trade.

"Defending the U.S." and "defending its allies" are not only different wordings, but a reflection of the disputes over the strategy for maintaining the state of a superpower. When explaining the "new strategy," La Rocque said: "Our contention with the Soviet Union is no longer a matter that we should concentrate our attention on as we did in the past." Why is that? The first reason is that with the decline in its position of strength, the Soviet Union is not as aggressive as it was in the past. The

second is, both Japan and the Western allies have gradually become powerful rivals of the U.S. in economic competition. To counter this new threat, the U.S. has to unload its excessive military burdens. This is not only a viewpoint of La Rocque, but also the viewpoint of quite a few U.S. strategists at the current stage.

Nevertheless, the "new strategy" of La Rocque indicates a rather big turn. In some people's eyes, it is but a kind of sermon, and some people have even denounced it as "a policy disregarding world affairs." As the Reagan administration has set a record in increasing military expenses, it is difficult to brake the fast moving vehicle all at once. Perhaps this strategy may be reiterated some years later, but at present, the U.S. still does not feel it is urgent to change its strategy immediately.

#### **U.S. Official Presents Flood-Relief Money**

*OW3110201388 Beijing XINHUA in English  
1440 GMT 31 Oct 88*

[Excerpt] Beijing, October 31 (XINHUA)—Today's news briefs:

#### **U.S. Consul's Flood Donation [subhead]**

Carl Eugene Dorris, the American consul-general in Shenyang, capital of northeast China's Liaoning Province, donated 12,500 U.S. dollars on behalf of the consulate to flood-hit Qiqihar City in Heilongjiang Province last Friday [28 October].

#### **Northeast Asia**

#### **Qian Announces Moscow Visit to Japanese Group**

*OW3110125488 Beijing XINHUA in English  
1236 GMT 31 Oct 88*

[Text] Beijing, October 31 (XINHUA)—Chinese Foreign Minister Qian Qichen said here today that he will visit the Soviet Union in early December to meet with his Soviet counterpart Eduard Shevardnadze.

During his meeting with a group of Japanese media people here this afternoon, Qian said China will develop its neighborly relations with the Soviet Union on the basis of the five principles of peaceful coexistence.

"Relations between the two countries should be of a new type, and this is in conformity with the trend of detente in the world," he told Miichiro Kato, chairman of the Board of Directors of the CHUNICHI Newspaper, and his party.

In response to Kato's question whether relations between China and Japan will change following the normalization of Sino-Soviet relations, Qian said Sino-Japanese relations will remain unchanged, adding that improving Sino-Soviet relations will not affect China's ties with other countries either.

Qian noted that the past decade has witnessed a big development in Sino-Japanese relations since the signing of the Sino-Japanese Peace and Friendship Treaty in 1978. He expressed the hope that the relations will continue to develop in the second decade starting from now.

The Chinese foreign minister also set forth China's position on the issues of Kampuchea and the Korean peninsula at Kato's request.

**Japan's Uno Prepared To Meet DPRK Official**  
*OW2910041588 Beijing XINHUA in English*  
*1656 GMT 27 Oct 88*

[Text] Tokyo, October 27 (XINHUA)—Japanese Foreign Minister Sosuke Uno is conditionally prepared to meet a high-ranking official from the Democratic People's Republic of Korea (DPRK) to discuss the normalization of relations.

Foreign Ministry spokesman Yoshifumi Matsuda told reporters that Uno would consider meeting if Pyongyang sends "a relevant high-ranking party representative of comparative level."

In reference to reports in September that the DPRK had indicated its willingness to send a working-level party delegation to Tokyo in the near future, Matsuda said that the proposal was relayed to the Foreign Ministry by Tsuruo Yamaguchi, secretary general of the Japan Socialist Party, who visited Pyongyang last month.

Matsuda flatly denied a report that the Foreign Ministry has already decided to establish diplomatic relations with the DPRK, calling the report "baseless" and "speculative."

He said that the Government's position has long been that it is willing to normalize relations if Pyongyang meets certain "preconditions."

One of the preconditions is believed to be the return of Japanese seamen of the ship Fujisan Maru No. 18, who have been held captive on spy charges since December 1983, analysts here noted.

**Takeshita Reiterates Stand on Northern Islands**  
*OW2810111188 Beijing XINHUA in English*  
*0840 GMT 26 Oct 88*

[Text] Tokyo, October 26 (XINHUA)—Japan remains unchanged on the issue of four islands in its northern part, said Prime Minister Noboru Takeshita today.

He told Japanese reporters at his residence here that the so-called Soviet "return of two islands" is incompatible with the Japanese stance.

He stated this in response to the Soviet view on the islands made by Yevgeniy Maksimovich Primakov, director of the Institute of World Economics and International Relations, at a seminar held recently in Tokyo.

According to the Japanese paper "ASAHI SHIMBUN," Primakov hinted that it is impossible for the Soviet Union to discuss with Japan the return of all the four islands, though he did not rule out the possibility of negotiations on Habomai and Shikotan. The "four islands" refer to Habomai, Shikotan, Kunashiri and Etorofu.

**DPRK Awards Shenyang Military Commander**  
*OW3110153388 Beijing XINHUA in English*  
*1456 GMT 31 Oct 88*

[Text] Pyongyang, October 31 (XINHUA)—Korean Vice-President Yi Chong-ok today awarded medals to a visiting Chinese military delegation under a political order signed by President Kim Il-song.

Under the political order, Song Keda, political commissar, and Yang Guoping, deputy chief of the general staff, of the Shenyang region of the Chinese People's Liberation Army, were awarded Class-A and Class-B friendship medals respectively. Each of the other members of the delegation was awarded a friendship medal.

The awards aim at praising the Chinese People's Volunteers for their brave fighting in the front line during the Korean War and strengthening the friendship and unity between the peoples of Korea and China, the order said.

Song Keda and his party arrived here October 23 for a goodwill visit at the invitation of Kim Il-song. They will leave here for home on November 2. During their stay, they were received by Kim Il-song and attended the October 25 activities marking the 38th anniversary of the participation of the Chinese People's Volunteers in the Korean War.

**DPRK Vice Premier Begins Nepal Visit**  
*OW3110125088 Beijing XINHUA in English*  
*0857 GMT 31 Oct 88*

[Text] Kathmandu, October 31 (XINHUA)—Vice-Premier and Foreign Minister of the Democratic People's Republic of Korea (DPRK) Kim Yong-nam arrived here this afternoon for a three-day visit to Nepal.

According to a press release of the Nepalese Foreign Ministry, during his visit, Kim Yong-nam will have talks with Nepalese Foreign Minister Shailendra Kumar Upadhyaya. He will also meet Nepalese Prime Minister Marich Man Singh Shrestha.

The DPRK vice-premier and foreign minister was welcomed at the airport by the Nepalese foreign minister and other officials.

**DPRK Establishes Colombian Diplomatic Ties**  
*OW2910010988 Beijing XINHUA in English*  
*0746 GMT 27 Oct 88*

[Text] Pyongyang, October 27 (XINHUA)—The Democratic People's Republic of Korea and the Republic of Colombia have established diplomatic ties at the ambassadorial level, according to a report from the KOREAN CENTRAL NEWS AGENCY.

Under a joint communique signed by the two sides in New York on October 24, the governments of the two countries will develop friendly relations in all fields on the basis of equality, mutual benefits, respect for sovereignties, and non-interference in each other's internal affairs, the news agency said.

**S. Korean Political Group Opens DPRK Office**  
*OW0111012088 Beijing XINHUA in English*  
*1520 GMT 31 Oct 88*

[Text] Pyongyang, October 31 (XINHUA)—The "Korean National Front for Democracy" of South Korea today opened an office in Pyongyang, becoming the first South Korean political group to function in the Democratic People's Republic of Korea (DPRK).

DPRK Vice Premier Chong Chun-ki and the Korean Workers' Party Secretary Hwang Chang-yop attended a ceremony here on the occasion.

The Pyongyang office representative Cho Il-min said on the occasion that the front would carry out activities to crush the conspiracy of creating "two Koreas" by the United States and the South Korean authorities and contribute to the early reunification of the Korean peninsula.

The front, the former Revolutionary Party for Reunification founded in August 1969, has already set up offices in Japan, Cuba, and Syria in recent years.

**Southeast Asia & Pacific**

**Lao Leaders Receive Thanks From Counterparts**  
*BK3110142288 Vientiane Domestic Service in Lao*  
*1200 GMT 31 Oct 88*

[Text] Recently, Kaysone Phomvihan, chairman of the Council of Ministers; Phoumi Vongvichit, acting president of the LPDR; and Sisomphon Lovansai, acting chairman of the SPC, received a thank-you message from Yang Shangkun, president; Wan Li, chairman of the Standing Committee of the People's Council; and Li Peng, premier of the PRC.

The message reads:

On behalf of the PRC Government and in our own names, we would like to extend our sincere thanks and best wishes to Your Excellencies and, through you, to the

Lao Government and people for having sent a greetings message to us on the occasion of the 39th founding anniversary of the PRC.

At the same time, Foreign Affairs Minister Phoun Sipaseut also received a thank-you message from PRC Foreign Affairs Minister Qian Qichen.

**'Roundup' on Vietnam's Export Failure**  
*HK0111033488 Beijing RENMIN RIBAO in Chinese*  
*24 Oct 88 p 7*

[("Roundup" by XINHUA reporter Ling Dequan (0407 1795 2938); "Vietnam Fails To Fulfill Plan for Exports to Ruble Area"]

[Text] Hanoi, 23 Oct (XINHUA)—According to Vietnamese official statistics, Vietnam's exports have not performed very well during the first 9 months of this year, fulfilling only 63.3 percent in currency value of the year's export plan. As far as this is concerned, Vietnam's performance in exports to the Soviet Union and other members of the Council for Mutual Economic Assistance [CMEA] (the ruble area) has been even more unsatisfactory—only 56.3 percent of the export quota has been fulfilled.

Why is Vietnam faced with increasing difficulty in exports, especially to the area? The first contributing factor is that Vietnam is suffering from serious inflation. The state continues procuring export goods from the producing units but fails to pay for them. It is reported that the state already owes over 40 billion dong to the country's 7 major export goods producing enterprises. These companies are now short of funds and some have failed to pay wages to their staff. Many rubber producing enterprises in the south have stopped production after 12,000 rubber workers quit their jobs, complaining that wages were not released in time.

The second contributing factor is that all foreign trade enterprises, eager to earn U.S. dollars and other hard currencies, are offering high prices to purchase commodities that are in great demand, so as to export them to the capitalist market. As soon as these enterprises have U.S. dollars in hand, they import motorcycles, television sets, radio-cassette recorders, video recorders, and other high-grade commodities, and sell them on the domestic market at high prices, reaping staggering profits. If they export their goods to the ruble area they will not be paid in foreign exchange and thus will not be able to import high-grade electric appliances and other commodities in short supply on the domestic market. For this reason, Vietnam has failed to fulfill its plan for exports to the ruble area.

The Vietnamese FOREIGN TRADE JOURNAL pointed out in an editorial: "If we fail to ensure delivery according to the plan, the Soviet Union will reduce the value and variety of exports (to Vietnam)." The editorial urged foreign trade enterprises to step up their efforts during the fourth quarter of the year to fulfill the export plan to the ruble area, both in value and variety of commodities, but some sources in Hanoi are not optimistic about the Vietnamese authorities' ability to improve the situation.

**'Roundup' Examines Philippine Monetary Policy**  
*OW0111021488 Beijing XINHUA in English*  
*1047 GMT 31 Oct 88*

[("Roundup: Philippine Officials on Monetary Policy (by Zhai Shuyao)"—XINHUA headline)]

[Text] Manila, October 31 (XINHUA)—Despite the decreasing international reserves and the sinking peso, inflation rate of goods and services in the Philippines under the present administration has remained far below the double-digit level of the Marcos years.

According to the National Economic and Development Authority (NEDA) of the Philippines, domestic inflation rate in the country was projected to average 7 to 8 percent for the whole year of 1988.

Based on actual price data available as of the third quarter of 1988, the inflation rate averaged 8.2 percent (1978=100) at the national level.

During the 1965-1985 period of Marcos rule, the annual inflation rate averaged 14.4 percent in the Philippines.

In sharp contrast, the inflation rate came down to an average of 2.3 percent during the first 2 years of the Aquino administration from 1986 to 1987.

In the year 1987, domestic inflation averaged 3.8 percent.

In an interview with XINHUA, Economic Planning Secretary Solita Monsod, who is also director general of NEDA, talked about Philippine monetary and fiscal policies, which, according to her, are relaxed to stimulate economic growth, but restrictive when it comes to introduction of new money in the economy.

She said that the Monetary Board, a policy-making body under the Central Bank of the Philippines, has made available more loanable funds to enhance production through a series of moves that reversed the restrictive economic policies during the 1983-85 economic recession.

Philippine monetary authorities have lowered the reserve requirements of commercial banks to 14 percent from 18 percent, hence, freeing more loanable funds for use in industrial and agricultural sectors.

At the same time, they lifted ceilings on bank relending rates to further encourage banks to participate in financing priority sector endeavors.

The Central Bank and the national government are also supportive of generating domestic savings by maintaining positive real interest rates.

To stop any unnecessary introduction of new money in the economy, the monetary authorities have suspended since last February the Central Bank-initiated "Debt-Equity Conversion Program" which has been criticized because of its inflationary effects.

The suspension has stopped foreign investors from converting into pesos the debt notes they bought at discounted rates from the international financial market and investing this money in local business enterprises, thus introducing new pesos in the financial system without corresponding foreign exchange.

The Philippine monetary authorities have also resorted to some intervention in the floating rate of the peso vis-a-vis the U.S. dollar and other major currencies to prevent volatile fluctuations of the peso that would dislocate the economy.

Monsod said the monetary and fiscal policies would likely remain for the next few years.

Diwa C. Guinigundo, economist of the Department of Economic Research-International of the Central Bank, in another interview, talked about the import liberalization program of the country and its effect on prices in domestic market.

He said that because of the competition posed by the free entry of about 2,000 consumer goods in the economy, locally produced goods are not highly priced, forcing a number of local firms to foster efficiency in their production.

But official statistics show that the international reserves of the country has gone down to 1.625 billion U.S. dollars, only enough to meet the requirements for 1.9-month imports.

Purita F. Neri, director of the Department of Economic Research-Domestic of the Central Bank, told this correspondent that the experience in stabilizing prices in the Philippines with regard to monetary policy has been basically successful as evidenced in the late seventies and eighties when inflation rates slowed down.

However, she said, "difficulties arising from imported inflation (high cost of raw materials and capital) and the adverse impact of typhoons or drought have to be tackled more seriously through structural and other reforms."

## Near East & South Asia

### Yang Fuchang Arrives in Cairo

OW0111050088 Beijing XINHUA in English  
0210 GMT 1 Nov 88

[Text] Cairo, October 31 (XINHUA)—Chinese Assistant Foreign Minister Yang Fuchang arrived here tonight for a 3-day visit to Egypt.

He is expected to hold talks with Egyptian Foreign Minister Ahmad 'Ismat 'Abd al-Majid and Assistant Foreign Minister Wafa Hegazy on the Middle East problem in the light of the latest developments.

The talks will also cover bilateral relations and other issues of common interest.

\* The Chinese official is here on a Mideast tour, which will also bring him to Tunisia and Qatar.

### Bangladesh President Leaves for Beijing

OW0111082088 Beijing XINHUA in English  
0750 GMT 1 Nov 88

[Text] Dhaka, November 1 (XINHUA)—Bangladesh President H.M. Ershad left here today for a two-day official working visit to China.

During the visit, Ershad will exchange views on issues of mutual interest with Chinese leaders and hold talks with them on possible cooperation between the two countries in flood control.

The president's entourage includes Anisul Islam Mahmud, minister for education and irrigation, water development and flood control, A.K. Khandoker, minister for planning, and Mohammed Mohsun, foreign secretary.

### Afghan Refugees Still Awaiting Repatriation

OW3110214488 Beijing XINHUA in English  
0926 GMT 31 Oct 88

[“How Is Afghan Refugees’ Repatriation? (by Yang Mu)”—XINHUA headline]

[Text] Islamabad, October 31 (XINHUA)—No sign of refugee repatriation has been seen but steady preparations for their returning home are being made in the Afghan refugee camps spreading alongside the Pakistan-Afghan border.

This is the fresh impression after my week-long trip to the northwestern boundary of Pakistan.

The plight of the nine-year cruel war in Afghanistan has uprooted and displaced one-third of its population. The Soviet invasion caused successive refugee influxes into

Pakistan. According to the latest official information here, Afghan people taking refuge in this country total 3.2 million, the biggest number of refugees in a country in the world.

The miserable Afghan refugees have traveled three phases of life in the camps. From 1980 to 1982, they exerted all their efforts to settle down safely. The United Nations High Commissioner for Refugees (UNHCR) and other international humanitarian bodies gave them shelters, clothes, food, medicine and water, etc. to meet their urgent need. This is the first phase of their life on a foreign soil. The 1983-1987 phase witnessed a stable and better life. Pakistan and other foreign aids concentrated on the consolidation and improvement of existing infrastructure and services. 1988 initiated a new phase. The bilateral agreement on the voluntary return of Afghan refugees was signed between Pakistan and the Kabul regime on April 14 in Geneva. After then, most of the refugees in the camps have been waiting for a safe return. The UNHCR made an attempt to re-orient its assistance program towards repatriation preparedness. This has meant less investment in infrastructure and more emphasis on training.

While interviewing with Afghan resistance leaders or Pakistan officials, we were deeply impressed by their worry about the prospect of the displaced Afghan people's repatriation. Mohammed Hashim Refabi, acting director of the Afghan Media Resource Center, told us that only a few families moved to their home towns in Afghanistan this year and it would take quite a long time to complete the repatriation plan. The preconditions are the Soviet total pull-out, the clearing of land mines, traffic convenience, stability and security inside Afghanistan. But some officials optimistically predicted that in the second half of next year, after a complete Soviet withdrawal, there would be a large-scale repatriation movement.

We have witnessed many refugees who had happily joined UNHCR efforts to facilitate their returning to Afghanistan. The international agencies helped the camps to run many workshops to train workers and technicians. Orphan schools and adult vocational training courses were opened. All these are aimed at raising the capability of the refugees including the disabled in earning their livelihood and rebuilding their home villages with their own hands. In cooperation with the U.N. coordinator for humanitarian programs relating to Afghanistan, some international bodies have set up joint logistics units to meet related transportation needs. UNHCR is also increasing its capacity to monitor spontaneous returns to Afghanistan, and to ensure the voluntary nature of any repatriation movement.

Afghan refugee camps are quiet and busy. An early and total pull-out of the Soviet troops is requested by all. The Afghan refugees are sure their dreams of returning home will be realized after surmounting serious difficulties and obstacles.

## Sub-Saharan Africa

**Li Peng Meets Outgoing Benin Ambassador**  
*OW3110120188 Beijing XINHUA in English*  
*1032 GMT 31 Oct 88*

[Text] Beijing, October 31 (XINHUA)—Chinese Premier Li Peng met with Deguenon Ahannon Cosme, outgoing ambassador of the People's Republic of Benin to China, in Zhongnanhai here this afternoon.

**Delegation Leaves for Mauritania, Sudan**  
*OW2810230688 Beijing XINHUA in English*  
*1440 GMT 28 Oct 88*

(Text) Beijing, October 28 (XINHUA)—A delegation from the Chinese Association for International Understanding, headed by vice-president of the association Zhang Zhixiang, left here this evening by air for a visit to Mauritania and Sudan.

The delegation was invited by the permanent secretariat of the Military Committee for National Salvation of Mauritania and the National Islamic Front of Sudan.

## West Europe

**FRG's Hans-Dietrich Genscher Continues Visit**

**Meets Yao Yilin**  
*OW3110134888 Beijing XINHUA in English*  
*1324 GMT 31 Oct 88*

[Text] Beijing, October 31 (XINHUA)—Chinese Vice-Premier Yao Yilin and the visiting Federal Vice-Chancellor and Minister for Foreign Affairs of Federal Germany Hans-Dietrich Genscher exchanged views here today on increasing the economic cooperation between the two countries.

They held that the relations between the two countries have a solid foundation and both sides need to further the development of bilateral relations and cooperation in the fields of politics, economy and culture and it is possible for them to do so.

Both stressed the support for the cooperation between the small- and medium-sized enterprises of the two countries.

They briefed each other on the economic situation of their respective countries. Genscher also gave an account of the present situation and development goal of European Community.

This evening, Chinese Foreign Minister Qian Qichen gave a banquet in honor of Genscher and his party.

## Qian Discusses Moscow Trip

*LD3110180688 Hamburg DPA in German*  
*1557 GMT 31 Oct 88*

[Excerpts] Beijing (DPA)—China and the Federal Republic have agreed to expand and strengthen their exchange of political views. [passage omitted]

In his discussions with Yao Yilin, Chinese deputy premier and planning chief, Genscher—who is also accompanied on his trip to China by high-ranking business representatives—called for better conditions for German investment in China. As obstacles he cited excessive bureaucracy and inadequate coordination between China Government authorities. Genscher said that economic cooperation must not be "impeded by untimely restrictions" which would above all hit medium-sized and small firms in their involvement in China.

Genscher, who is on a 3-day visit to Beijing, briefed his counterpart Qian Qichen in detail on the results of the latest talks in Moscow and on Soviet-German relations. In his dinner toasts, Genscher stressed that the German side welcomes the improvement in Chinese-Soviet relations. Qian announced that he will travel to Moscow at the beginning of December. If his talks with Soviet Foreign Minister Eduard Shevardnadze are positive, a Chinese-Soviet summit could take place next year. [passage omitted]

## Cooperation Agreements Signed

*LD3110115588 Hamburg DPA in German*  
*1106 GMT 31 Oct 88*

[Text] Beijing (DPA/VWD)—In the presence of Federal Foreign Minister Hans-Dietrich Genscher, three Chinese-German cooperation projects were signed in Beijing on Monday [31 October]. Siemens AG (Berlin-Munich) has extended its cooperation with China and after years of negotiations, has now concluded a joint venture for the production of digital telephone exchanges. Messerschmitt-Boelkow-Blohm (MBB), the aviation and space travel enterprise, has made further progress as regards the project of a civilian German-Chinese joint aircraft (MPC-75).

For Siemens's joint venture agreement—the firm's first in China—with Beijing Wire Communication Plant (BWCP), total investments, with a Siemens share of 42 percent, will amount during the first development stage to \$6.2 million (about DM 110 million). Production is to begin in 1989, with an initial output of 300,000 connection units. The first part of the comprehensive cooperation project, with a know-how transfer contract on IC technology with the Microelectronics Complex in Wuxi, was signed recently. Siemens secure the two contracts in the face of strong international competition. As part of the joint venture, over 100 Chinese specialists will be trained in the Federal Republic. During Genscher's visit

the foundation stone was laid in Beijing for the Siemens Technology Center, which is to train about 500-600 Chinese technicians each year.

The MBB agreement with the China National Aero-Technology Import and Export Corporation (CATIC) provides for the founding of a joint German-Chinese firm, the MPC-75 GmbH, with its seat in Hamburg. The firm (80 percent MBB/20 percent Chinese partner) will be responsible for the planning, organizing, management, coordination, and control of all activities relating to the aircraft, planned to be an 80-seater. MBB's duty will be to provide the requisite specific knowledge for the CATIC staff involved in the MPC-75 project. MBB and CATIC have been working on this project since 1985. The predevelopment stage has been underway since 1988, and will continue until the end of 1990; the first flight is planned for 1994. According to another agreement, MBB is to cooperate with CATIC in the wind energy sector. China will initially receive complete wind energy converters from MBB worth about DM 1.5 million. Subsequently wind energy component parts will gradually be coproduced in China.

**Meets Wu Xueqian**  
*OW011110888 Beijing XINHUA in English*  
*0859 GMT 1 Nov 88*

[Text] Beijing, November 1 (XINHUA)—Chinese Vice-Premier Wu Xueqian met with and gave a lunch for Hans-Dietrich Genscher, Federal vice-chancellor and foreign minister of the Federal Germany, and his wife here today.

**Sino-FRG Firms Coproduce Milling Machines**  
*OW3110190888 Beijing XINHUA in English*  
*1553 GMT 31 Oct 88*

[Text] Beijing, October 31 (XINHUA)—A Beijing firm and a company from Federal Germany have successfully co-produced one 1.75-meter and two five-meter high-precision milling and boring systems here.

The cooperators are Beijing's No. 1 Machine Tool Plant and the Waldrich Coburg Company of Federal Germany, which signed a ten-year contract in 1984 to co-produce 1.75-meter and six-meter digital-controlled milling and boring machines.

The 1.75-meter digital-controlled system, which is as high as a two-story building, passed a state technical assessment recently. This puts China in the ranks of the few countries which are able to produce such large milling and boring machines.

Equipped with the ability to change cutters automatically, this machine can perform milling, boring, reaming, drilling and tapping operations, and the work efficiency can be raised by up to ten times. The error of surface fineness of work can be limited within seven microns per meter, according to engineers.

**Li Ximing Meets FRG Foundation Visitors**  
*OW3110115888 Beijing XINHUA in English*  
*1055 GMT 31 Oct 88*

[Text] Beijing, October 31 (XINHUA)—Li Ximing, member of the Political Bureau of the Central Committee of the Chinese Communist Party, met with a delegation from the Friedrich-Ebert-Stiftung Foundation of the Federal Republic of Germany here today.

The delegation is led by Karl-Heinz Hirsemann, member of the Federal Council of the Social Democratic Party of Germany.

**Peng Chong Receives Hamburg Delegation**  
*OW2810093888 Beijing XINHUA in English*  
*1030 GMT 26 Oct 88*

[Text] Beijing, October 26 (XINHUA)—Peng Chong, vice chairman of the Standing Committee of the Chinese National People's Congress, met with a delegation from the Diet of Hamburg, Federal Germany led by its speaker Frau Helga Elstner here today.

The delegation arrived here October 24 as guests of the Standing Committee of the Shanghai Municipal People's Congress. Shanghai and Hamburg established friendship ties in 1986.

The visitors will also tour Xian, Shanghai, Hangzhou, Guangzhou and Shenzhen.

**Zhang Haoruo, Sichuan Delegation Visits FRG**  
*OW2910082288 Beijing XINHUA Domestic Service*  
*in Chinese 0722 GMT 24 Oct 88*

[By reporter Dai Libin]

[Text] Bonn, 23 Oct (XINHUA)—Johnnes Rau, minister president of North Rhine-Westphalia, West Germany, met and feted Zhang Haoruo, governor of Sichuan Province, China, in Duesseldorf, capital of North Rhine-Westphalia, today. Both sides hoped to further strengthen and expand economic, scientific, technological, and cultural cooperation and exchange between North Rhine-Westphalia and Sichuan Province.

At the invitation of the government of North Rhine-Westphalia and repaying a visit by the minister president of North Rhine-Westphalia to Sichuan last July, Zhang Haoruo arrived here on 18 October leading a delegation of the Sichuan Provincial Government to visit North Rhine-Westphalia, Hamburg, and Bonn in West Germany.

North Rhine-Westphalia and Sichuan have established good relations since 1982. Both sides have carried out wide-ranging exchanges and cooperation in agriculture, animal husbandry, forestry, environmental protection, and urban construction and planning. Trade between the two sides has also grown with time. Sichuan has exported

a great deal of commodities to, and imported a lot of industrial equipment and technology from, North Rhine-Westphalia. Both sides have also cooperated in a number of production projects. In addition, North Rhine-Westphalia has donated fine-strain forage grass seeds and long-haired rabbits to Sichuan, and helped it build forage grass cultivation centers and train rabbit-breeding technicians, which has helped Sichuan's livestock industry. At tonight's banquet, both Rau and Zhang Haoruo made ebullient speeches, expressing a mutual wish to expand relations of cooperation. Both sides also expressed their full confidence in future economic exchanges and cooperation, particularly in the fields of industry and personnel.

An agreement of intent for cultural cooperation and exchange will be signed between Sichuan Province and North Rhine-Westphalia tomorrow afternoon. Sichuan plans to hold exhibitions in North Rhine-Westphalia on Sichuan's economic and cultural achievements and on the local conditions and customs of Liangshan, and will invite North Rhine-Westphalia to send a ballet troupe to perform in Sichuan Province. Both sides also plan to promote exchanges of radio and television programs.

The Sichuan Provincial Government delegation, led by Zhang Haoruo, will end its visit on 25 October.

**French Aircraft Company To Open Office in Beijing**  
*OW2810082488 Beijing XINHUA in English*  
*0231 GMT 28 Oct 88*

[Text] Paris, October 27 (XINHUA)—The French aircraft manufacturing company Snecma will establish an office in Beijing next month to reinforce Sino-French relations in the aviation industry.

The decision was announced to the press here today by Armand de la Bassettiere, general director of the International Department of Snecma, the French National Society of Research and Construction of Aviation Engines.

Bassettiere said he will attend the "Beijing International Exhibition 1988" on November 14-20.

Paris-based Snecma, the biggest aviation company in France, produces planes and aircraft engines, as well as weapons.

**French Company Supplies Fertilizer Plant Equipment**  
*OW3010050988 Beijing XINHUA Domestic Service*  
*in Chinese 0852 GMT 25 Oct 88*

(By reporter Shen Xiaochuan)

[Text] Paris, 24 Oct (XINHUA)—A ceremony was held in Paris this afternoon to sign a contract for France's Turknip Engineering and Technology Company to supply a complete set of production equipment to the chemical fertilizer plant of the Jianfeng Chemical Engineering Machinery Corporation in Sichuan, China.

This contract in the total amount of 560 million francs (approximately \$90 million) is a major contract signed between China and France for the supply of large equipment.

Xu Deen, president of the China National Technology Import and Export Corporation, and Pierre Valandan, chairman of the Board of Directors of the French Turknip Company, signed the contract.

French Foreign Trade Minister Jean-Marie Rausch and Zheng Tuobin, Chinese minister of foreign economic relations and trade, who is currently on a visit to France, attended the signing ceremony and delivered speeches. Both hope that Sino-French economic cooperation will develop in greater and greater depth.

According to Xu Guang, chairman of the Board of Directors, and Ying Shousong, president of the Jianfeng Chemical Engineering Machinery Corporation in Sichuan, who are visiting Paris, the equipment supplied by France will be installed at the corporation's chemical fertilizer plant in Fuling. Once the equipment is put into operation, this chemical fertilizer plant will serve to alleviate the shortage of supply of chemical fertilizers in eastern Sichuan.

**Netherlands To Cooperate in Wind Energy Tests**  
*HK2810130388 Beijing CEI Database in English*  
*28 Oct 88*

[Text] Nanjing, (CEI)—China and Holland have agreed to experiment with the use of wind energy in Sheyang County, Jiangsu Province, China.

There is effective wind energy of 764 to 1,732 kilo-watts per hour in Sheyang County. The conditions for testing the projects using wind energy there are adequate.

The Holland Government has decided to provide 450,000 guildens (about 235,305 U.S. dollars) and the technology to help China make use of the wind energy.

115 wind generators and wind water lifts have been installed in the coastal region of the county. Under the project, 885 more wind generators and water lifts will be installed, after the experiment succeeds, to provide water and electricity to the 200,000-mu (about 13,340 hectares) fish pond, the 190,000-mu (about 12,673 hectares) salt pan and the 110,000-mu (about 7,337 hectares) reed field.

**Swedish Delegation Visits Qingdao**  
*SK3110074588 Jinan Shandong Provincial Service*  
*in Mandarin 2300 GMT 30 Oct 88*

[Text] General Gustafsson, chief commander of the Swedish Armed Forces, and his wife and entourage paid a friendly visit to Qingdao on 28 October. They left for Beijing by a special plane on the morning of 30 October. During his stopover in Qingdao, Lieutenant General Ma

Xinchun, deputy commander of the Jinan Military Region and commander of the North China Sea Fleet, accompanied him on a visit to a guided-missile destroyer, a submarine, and a submarine chaser which were designed and made by our country. They also visited some large- and medium-sized enterprises.

### East Europe

#### Hungarian Military Delegation Visits Nanjing *OW0111021788 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 28 Oct 88*

[By station correspondents Qian Hongnan and Ma Xinmin]

[Text] A high-level Hungarian military delegation led by Lieutenant General Jozsef Pacsek, vice minister of defense and chief of staff of the Hungarian People's Army, arrived in Nanjing from Shijiazhuang by special plane on the afternoon of 28 October in the company of Major General Hu Changfa, director of the Military Training Department of the PLA General Staff Department. Lieutenant General Fu Kuiqing, political commissar of the Nanjing Military Region, met the Hungarian visitors at the airport, the first high-level Hungarian military delegation to visit China in 3 decades.

The Nanjing Military Region gave a banquet at the Jinling Hotel in the evening to welcome Lt Gen Pacsek and his delegation. On behalf of General Xiang Shouzhi, commander of the Military Region who is on a trip abroad, Political Commissar Fu Kuiqing hosted the banquet. In his toast, Fu Kuiqing praised the glorious tradition of the Hungarian People's Army as well as the great achievements scored by the Hungarian people and Army in various fields. He noted that there has been a history of friendly exchange between the Chinese and Hungarian people and armed forces. He expressed the belief that the Hungarian military delegation's current visit will surely promote the further development of Sino-Hungarian friendship.

In reply, Lt Gen Pacsek thanked the officers and soldiers of the Nanjing Military Region for their warm hospitality, which amply reflected the growing friendly and cooperative relations between the Hungarian and Chinese people and Armed Forces. He said that after their return, the delegation members will tell the Hungarian people and soldiers about the progress China has made.

Among those present at the banquet were Zhang Shuyun, deputy chief of staff of the Nanjing Military Region, and Hong Jiade, deputy director of its political department, as well as officials of the Nanjing Military Region and relevant departments of Jiangsu Qiao Guangyu and Lu Sujie. Hungarian Embassy military attache Varga also attended the banquet.

#### Federation Head Pan Yao Fetes Bulgarian Group *OW2810133688 Beijing XINHUA in English 1253 GMT 28 Oct 88*

[Text] Beijing, October 28 (XINHUA)—Pan Yao, acting president of the Board of Directors of the All-China Federation of Supply and Marketing Cooperatives, gave a dinner here this evening for the Bulgarian Central Cooperative Union (BCCU) delegation which arrived in Beijing today for a friendly visit.

During the 11-day visit, the delegation, led by Ivan Pehlivanov, president of the BCCU, will explore with the Chinese counterparts the possibilities of economic, trade and technological cooperations between the two countries' cooperatives organs.

### Latin America & Caribbean

#### Wan Li Meets Costa Rican Legislators *OW3110181188 Beijing XINHUA in English 1315 GMT 31 Oct 88*

[Text] Beijing, October 31 (XINHUA)—Wan Li, chairman of the Standing Committee of China's National People's Congress (NPC), met here this afternoon with a visiting delegation from the Costa Rican legislative assembly headed by the assembly's vice-president Clinton Cruickshank Smith.

China and Costa Rica have no diplomatic relations. During the meeting, both Wan Li and Smith believed that exchange of visits through the parliamentary channel would help increase the mutual understanding and trust of the two countries and is conducive to developing the relations between them.

Speaking of the situation in Central America, Wan Li hoped that the peace and stability in that region would continue with the joint efforts of all the countries concerned.

NPC Vice-Chairman Ye Fei attended the meeting.

Earlier this afternoon, Chinese Foreign Minister Qian Qichen also met with the Costa Rican visitors.

**Deng Xiaoping Orders Examination of Kang Hua**  
*HK0111095288 Hong Kong CHENG MING in Chinese  
No 133, 1 Nov 88 pp 15-16*

[Article by special correspondent Chang Chuan (1603 1557): "Deng Xiaoping Scolded His Son Three Times"]

[Text] Deng Xiaoping: "First Investigate Kang Hua!"

In recent years, many companies run by officials or children of senior officials have reaped staggering profits through reform and opening up. This has aroused widespread complaints and denunciations inside and outside the party, inside and outside the army, and among the masses. In order to calm down the people's resentment and protect the image of reform, the CPC central leadership decided to screen and rectify companies run by officials.

It was not expected that Deng Xiaoping would choose the Kang Hua Company as the first target. Deng told his aides: To rectify the companies, you should "first investigate Kang Hua!"

What Is the Fact? [subhead]

Kang Hua is a company well known to people in China and overseas. Its fame derived from its relations with Deng Pufang. However, some recent reports said that Kang Hua has no relation with Deng Pufang, after the news that Kang Hua did not fare well in China was revealed overseas. What are the facts?

A few years ago, the China Welfare Fund for Handicapped, with Deng Pufang as its director-in-chief, set up the Kang Hua Enterprise Company to raise welfare funds. At that time, Deng Pufang was the company's responsible person.

Big Kang Hua and Two Former Ministers [subhead]

In 1987, outside Kang Hua Enterprise, the Kang Hua Development Corporation was officially registered and inaugurated. People used to call them old "Small Kang Hua" and the new "Big Kang Hua." The responsible people of Big Kang Hua are rather powerful guys. The chairman of the board is Tang Ke, former member of the CPC Central Committee and former minister of the metallurgical industry; and the deputy chairman of the board, Gao Yangwen, also former member of the CPC Central Committee and former minister of the coal industry. Big Kang Hua also has innumerable subsidiaries at the local level.

Rumors Unfavorable to Deng Pufang [subhead]

Before Big Kang Hua was established, Deng Pufang had resigned from Kang Hua Enterprise. However, Big Kang Hua, Small Kang Hua, and their subsidiaries still maintained relations with the Welfare Fund for Handicapped in the matters of tax exemptions and other preferential

treatments concerning their profits. (Many subsidiaries of Kang Hua hired handicapped people in a nominal way and thus enjoyed tax exemption). So Deng Pufang still maintained indirect relations with Kang Hua. For this reason, many groundless rumors unfavorable to Deng Pufang were circulated in society. It was most widely rumored that Deng Pufang deposited huge amounts of money in his accounts with some Swiss and Hong Kong banks. Some people who hated Deng Pufang even said in private that "official profiteering would not be checked if Deng Pufang is not executed by shooting" and that "reform will go nowhere if Deng Pufang is not executed by shooting."

"You Will Be Put on the Guillotine After I Die!" [subhead]

When Deng Xiaoping heard of the rumors and gossip, he chided Deng Pufang, his beloved son, three times for events over Kang Hua. Once, he even told Deng Pufang sadly: If you continue to do such business, you will be put on the guillotine after I die! In fact, some powerful people in Beijing are planning to disgrace Deng Pufang once Deng Xiaoping passes away.

Zhao's Son Asked for the Examination of His Company [subhead]

In early October, the Central Military Commission held meetings to study and discuss the issue of rectifying the companies run by officials as required by the central leadership. Members of the Standing Committee briefed the meeting on their children's behavior. At the meeting, some people criticized Kang Hua openly by name, and also criticized one of Zhao Ziyang's sons. It is said that the sons of Zhao Ziyang and Zhang Jingfu have voluntarily subjected their companies to investigation and the general secretary has ordered the department concerned to carry out "strict investigation."

Yao Yilin: "No Need To Investigate Kang Hua!" [subhead]

The events concerning Deng Pufang and Kang Hua shocked the whole city of Beijing. After Deng Xiaoping issued the instruction of "first investigating Kang Hua," Premier Li Peng also announced at a State Council meeting that "overall tax and finance examination begins from central departments." All of a sudden, it seemed that a large-scale anticorruption campaign was unleashed. However, all the big shots knew fairly well what targets the spearhead would be directed at, and members of the investigation teams were all tactful and would never try to touch the powerful big shots. What they will do is just make some perfunctory investigations and then put on an official seal to let off the children of the senior officials. It is said that Yao Yilin recently commented on the case of Kang Hua, saying that "I don't see a need to investigate Kang Hua."

**The Trick of "Sacrificing the Pawns To Save the Queen (as in Chess)" Will Be Played [subhead]**

However, since it has been announced to "improve the economic environment and rectify the economic order" in the next 2 years and the posture of curbing corruption has been assumed through the mass media, it is natural that some facade must still be made and some scapegoats must be killed at a crucial juncture so that the public can be appeased. The scapegoats must be those who have no powerful supporters behind them and who have indeed lined their pockets in the course of reform and opening up in recent years and have thus caused jealousy and resentment among other people. Of course, the smart guys in the authorities have certainly perceived the seriousness of "official profiteering" and the people's deep hatred against "official profiteers." So, a number of typical "official profiteers" may be punished in order to assuage popular indignation. However, there are now no honest and impartial officials like Hai Rui and Bao Longtu in the CPC authorities, so the typical figures of "official profiteers" to be ferreted out and punished will certainly be some insignificant "pawns" whose sacrifice will serve the purpose of protecting the "queen." Real official profiteers who have blood relations with senior party officials will certainly be saved from open disgrace and public criticism.

**Restriction 'Tendencies' Seen in Leadership**  
*HK011103/988 Hong Kong CHENG MING in Chinese No 133, 1 Nov 88 pp 8-11*

[*"Notes on the Northern Journey"* by Lo Ping (5012 0393): "Tendencies of Restrictions Are Prevailing in Beijing"]

[Text] There is evidence that a policy of "restriction" is being implemented in the economic field. In Deng Xiaoping's speech to a restricted audience, he stressed retrieving power, and preventing the occurrence of an uncontrolled situation and chaos. Because of the "Fang Lizhi Incident" and "troubles" in various localities, the CPC has strengthened its high-handed political policy. A "political campaign" has been launched again inside the party, and various organs are holding meetings to discuss the issue of memorial meetings. The old-man party is swollen with arrogance, and Hu Qiaomu and Deng Liqun have become active again.

The autumn wind is blowing over Beijing, a city which is both new and old. The "restriction" tendencies are also prevailing in the city. Some intellectuals, who are particularly sensitive, are shivering with both cold and fear.

Of course, it is Zhongnanhai which wants to a policy of "restrictions." It is also Zhongnanhai which fears criticism over its implementation of the policy of "restrictions."

It also fears that foreign capital will never come again, and that its prestige in the international community will decline.

However, the policy of "restrictions" is as clear as daylight. Even if we say nothing about it, people know the fact very well.

**Economic Restriction—Negating Zhao Ziyang's Plans for Reforms [subhead]**

Mainly, economic "restrictions" means slamming the brakes on reform. Although reform might not stagnate completely, it is not far from being completely stopped. The two meetings of the CPC held in the latter half of September, and the meeting of the State Council on 1 October clearly revealed the intention of the CPC: An all-around retrenchment of economic reform, and the main efforts are to be devoted to the task of checking up and consolidating in the next 2 years. It was reported that according to the timetable of the core leadership of the CPC, the above-mentioned task will take 5 years rather than 2 years. But publicly it is stressed that it will take only 2 years to complete the task.

A friend, who has close connections with an attendant of the 3d plenary session, told me: This session is actually aimed at correcting and readjusting Zhao Ziyang's line of reform. A series of plans and measures for reforms proposed by Zhao Ziyang have been basically negated, or abandoned.

**Yao Yilin Compiled 150-pages of Material [subhead]**

Before the 3d plenary session, the Political Bureau and the Secretariat held a meeting in mid-September. At the meeting, Yao Yilin distributed to members of the Political Bureau and Secretariat an investigation report about 150 pages in length. It was actually an investigation report on the economic crisis caused by the mistakes in work in recent years. It could also be regarded as "evidence of the crimes" of Zhao Ziyang in his economic work. At the meeting, Yao Yilin said with feeling: If measures aren't taken immediately, the consequences would be too ghastly to contemplate. He also made insinuations by saying: It seems that we have once again committed the mistake of being hotheaded.

At the meeting which lasted 6 and ½ hours, Zhao Ziyang came under attack from all sides. He also quarreled with Yao Yilin and Li Peng. When Yao produced his 150-pages of material, Zhao Ziyang said: I have no time to read your materials. He was low-spirited.

**Zhao Ziyang's Self-Criticism on Three Important Issues [subhead]**

At last, Zhao Ziyang was compelled to make a self-criticism on his mistakes in work in recent years. His self-criticism was focused on the following issues:

1. The "strategic guiding principle for the coastal areas" strongly advocated by Zhao Ziyang, namely, a policy which encouraged the 7 provinces and 14 cities in the coastal areas to participate first in the "international big circle."

2. The mistakes of advocating "high-volume imports and exports" over the past 5 years.

3. Early this year when the phenomenon of an overheated economy and too numerous investment projects occurred, no measures were immediately taken to "bring it to a halt." This gave rise to the uncontrolled economic situation, and other problems.

Ten days after the meeting of the Political Bureau and the Secretariat, the 3d plenary session was held. Inside and outside the session, Zhao Ziyang was criticized for his mistakes in work. It seemed that he was "encircled and attacked." The 3d plenary session actually declared the abortion of Zhao Ziyang's plan for economic reform, and a serious setback suffered by the reformists headed by Zhao Ziyang.

**The General Secretary Eventually Passed the Test, But His Right To Speak Has Been Considerably Weakened** [subhead]

Under such adverse circumstances, it was easy for the old-man party to drive Zhao Ziyang away. The reason Zhao did not become "Hu Yaobang the second" was that at that time Deng Xiaoping refrained from pouring oil on fire. The revered Mr Deng temporarily protected the revered Mr Zhao by adopting a method of refusing to declare where he stood. In view of the serious economic, political and social crisis, it was absolutely necessary to stabilize the political situation, to reassure the masses, and to show people both at home and abroad that the party still "unites as one." Therefore, some people said that it was wise for Deng Xiaoping not to change his right-hand man hurriedly. It was reported that the session was a party meeting in recent years where the differences of the party were most sharply reflected, although Zhao Ziyang is still alive despite imminent disaster.

After the 3d plenary session, Zhao Ziyang's power was obviously weakened. This has particularly been so with regard to his right to speak on the party's policy for economic issues. After the 3d plenary session, the Political Bureau held two special meetings on economic problems. These were presided over by Li Peng and Yao Yilin rather than by Zhao Ziyang. Zhao only made brief speeches at the two meetings.

**A Cornered Beast Still Fights, and Zhao Personally Supplemented News Releases on Several Occasions** [subhead]

However, this general secretary, who has been exhausted on the arena of power struggle, has not resigned himself to defeat. A retired cadre in the Propaganda Department said: After the 3d plenary session, Zhao Ziyang time and

again personally instructed RENMIN RIBAO and the Ministry of Radio and Television to strengthen their propaganda on reform. He asked them to stress that the policy of reform would remain unchanged, and so on. One day in the first half of October, after meeting with foreign guests, Zhao Ziyang took a rest in a small room. Just at that time, someone brought a manuscript to the Great Hall of the People which was to be checked by the general secretary. Zhao's secretary immediately woke him up. Zhao revised the "manuscript to be published in the newspaper" word by word, and paragraph by paragraph. He underlined with a red pen the phrase that the policy of reform will remain unchanged.

**Very Often Zhao's Instructions to the Party Newspaper Conflict With Li's Instructions** [subhead]

That veteran cadre from the Propaganda Department added: After the 3d plenary session, Zhao Ziyang personally issued instructions to RENMIN RIBAO and the Ministry of Radio and Television that any press release on his own activities must be checked by him. Since October, the general secretary has checked relevant press releases three times.

What embarrasses the party newspaper is that Li Peng and Yao Yilin have also issued instructions to propaganda organs such as the party newspaper, and others. In the meantime, their instructions are, very often, contradictory to Zhao Ziyang's instructions. In propaganda work, what Li and Yao stress is summing up experience, and less emphasis on the momentum of reform. Due to the fact that their instructions very often conflict with each other, responsible persons of the organs such as RENMIN RIBAO and others are at a loss as to what to do.

It is obvious that the struggle between Zhao, and Li and Yao has never stopped, and that Zhao Ziyang is still struggling hard.

**Deng Xiaoping Sets an Authoritative Tone on "Restriction" Policy** [subhead]

The "restriction" policy in the economic field has been reflected in Zhao Ziyang being criticized, and in some of Deng's speeches. On 26 September, the eve of the 3d plenary session, Deng Xiaoping called together five members of the Political Bureau Standing Committee, members of the Secretariat, some political old men of the Central Advisory Commission, and some members of the Central Discipline Inspection Commission to discuss remedies for the economic crisis. Through his well-prepared speech, Deng Xiaoping actually set the tone on the restriction policy for economic and political reform.

While talking about the problem of improving the economic environment and rectifying the economic order, Deng Xiaoping stressed:

"We have experience in dealing with difficulties and the tense situation. The most effective method is to retrieve power, the power that has been delegated to the lower level, so that it can be controlled by the central authorities in a unified way."

To a great extent his remarks are tantamount to putting a big full stop mark behind opening up and reform. Deng Xiaoping also proclaimed:

"Since we can delegate power, we can also retrieve it at any time we like!"

It is not difficult for one to understand the implications of the remarks of this highest decision maker.

#### Deng Xiaoping Gave a Speech to a Restricted Audience—Strengthening Leadership and Control of the Central Authorities [subhead]

To strengthen the control of the supreme leader, and to accept the principle and to reach a common understanding that the "entire party must be subordinated to the party Central Committee," Deng Xiaoping also mentioned the "Four Cardinal Principles" in front of the senior leaders of the organ of the party Central Committee. He stressed "strengthening the party leadership." This actually means that the entire party must listen to the central decisionmaker. In his speech (main points), he pointed out:

It is not the first time we've encountered such extraordinarily serious difficulties. In history, we overcame many difficulties. Those difficulties were more serious than the present ones. What did we rely on to overcome them? We relied on the unified will and actions of the entire party. The entire party must be subordinated to the Central Committee. The party leadership, the leadership of the party Central Committee in particular, is our most powerful strong point in overcoming difficulties. One important aspect of strengthening the party leadership is that we should politically strengthen the control of the central authorities in all matters. If we fail to do so, the situation will be out of control, and chaos will occur.

#### "Fang Lizhi Incident" Shook the Zhongnanhai, and Deng and Some Other Old Guys Hurriedly Adopt a "Restriction" Policy [subhead]

Deng Xiaoping's remarks are aimed at dealing with economic and financial problems, and political and social crisis. The speech made by Fang Lizhi in Australia irritated the nerves of Zhongnanhai. At a meeting of the Political Bureau which discussed Fang Lizhi's application for going abroad to visit certain foreign countries, those who favored the application and those who

rejected it were divided into two groups. Eventually, those who favored the application won. Now since "something has gone wrong" with Fang Lizhi, those leaders, who once favored Fang's application, felt embarrassed, because many of their opponents presented reports at the meeting collected by various quarters to bring them to account. In particular, it was reported that Fang had mentioned a big-character poster at Beijing University concerning bank deposits of some Chinese leaders abroad. Therefore, at another meeting of the Political Bureau, all members were compelled to make known their positions. Some "senior persons" were very angry, or even went off in a huff. Due to this "event" and some other "trouble" in some localities (which happened because of the problem of price hikes), those political old guys and Deng Xiaoping, who felt shocked at these events, believed that it was time to implement a policy of "restriction" politically.

#### "Political Campaign" Launched Inside the Party, and Meetings of Party and Government Organs To Trace Rumors to Their Sources [subhead]

After the 3d plenary session, the policy of "two rectifications and two checkups" has been openly announced, namely, improving the economic environment (actually making use of economic means to strengthen macroscopic control, to tighten the money supply, and to slow down reform), and rectifying the economic order (actually making use of administrative means to check up on finance and tax, and to deal a blow at speculation and profiteering). Besides, there is another rectification, namely rectifying the so-called "confusion" in the ideological field. But such rectification is confined to party members and party and government organs only. Since mid-October, party members of various central party and government organs have held meetings consecutively to study the speeches made by some big shots such as Zhao Ziyang, Hu Qili, and others. These meetings urged party members to take action. Apart from making efforts to eliminate corruption and to promote a honest work style, they must report rumors to the higher authorities, and trace these rumors to their sources.

#### Those Nonparty Masses Have Not Yet Been Touched Upon, and the Armed Police "Make a Show of Force" to Students [subhead]

This "political campaign" touched off by Fang Lizhi's drastic remarks is different from the previous political campaign. It has only been carried out inside the party, and those nonparty cadres have not yet been touched upon. It is generally believed that if the measures taken by the CPC and the State Council do not prove effective and that if the current political and economic situation further deteriorates, it is difficult to predict whether those nonparty cadres will not be affected.

However, amid the economic and political atmosphere of "restriction," an unprecedentedly large contingent of economic people's police since the founding of the People's Republic has been established. Some economic

policemen have appeared on the sports ground of Beijing Teachers' University. Such a contingent of Armed Police Force has been composed of 7,600 persons. They are armed with modern equipment and facilities for guarding against riot, theft, fire and so on. Such armed forces have their own special functions. Before the establishment of the economic police, it was reported that in Beijing an anti-riot police force composed of 8,000 people's soldiers had already been set up. It is under the direct command of Su Zongxiang, vice mayor and director of the public security bureau of Beijing municipality. This police force is no different from the economic people's police which openly held a parade on the sports ground of the university. It seemed that the authorities held a parade at this moment with ulterior motives, because they intended to show those students, who "fail to behave themselves, the huge and mighty antiriot police force.

Due to the fact that those reformists are always defeated in battles, the ossified old-man party is now swollen with arrogance again. Wang Zhen, Bo Yibo, Chen Yun, Hu Qiaomu, Deng Liqun and others have been more active than before.

During the 3d plenary session, the state vice president and veteran general Wang Zhen lost his temper three times, or made a show of authority.

#### Wang Zhen Loses His Temper and Shows Off His Authority on Three Occasions [subhead]

When Zhao Ziyang proposed removing the portraits of Marx, Engels, Lenin, and Stalin from the Tiananmen Square on a certain occasion, Wang Zhen flew into a fury, rejecting the proposal.

On another occasion prior to the 3d Plenary Session of the 12th CPC Central Committee, Wang Zhen summoned the chief of RENMIN RIBAO Tan to his home by phone and gave him a 2-hour admonitory talk. It has been reported that Wang Zhen was very angry at RENMIN RIBAO for carrying an article affirming the television series "Death on the River," which put Tan at a loss.

On a third occasion (at the closing ceremony of the 3d Plenary Session of the 12th CPC Central Committee), Wang Zhen suddenly launched an attack, saying that "Death on the River" is a "poisonous weed." He called on the session to discuss the matter, throwing Zhao Ziyang into a passive position. Although Zhao realized that Wang was against him, he was afraid of Wang seizing on the matter to exaggerate it at the session in collaboration with a number of political veterans. Hence, Zhao applied tactical means to blunt the edge of Wang's advance: "As this is a special topic, we will discuss it later." Zhao easily saved himself from the embarrassment. The general secretary's move of accepting humiliations meekly was indeed wise. Otherwise, if he had answered back, the consequences would have been grave.

#### Bo Yibo Lectures Chen Haosu for Giving "Death on the River" the Green Light [subhead]

While criticizing "Death on the River" on a certain occasion, Wang Zhen said: "This bad television series has boosted the morale of foreign invaders and dampened the spirit of the Communist Party." Then he claimed that this was the common view of veteran comrades including Deng Xiaoping. The television series "Death on the River" was first examined and approved for broadcasting by Chen Haosu, son of Chen Yi and deputy minister of radio, film, and television. During a meeting with Chen Haosu in early October at the Great Hall of the People, Bo Yibo told him: "We should sum up experience and lessons. If we fail to guard the pass in this regard, it will lead to grave problems. The veteran comrades are all against this television series because we know the history of our party and the Chinese nation. Young people lack experience in this."

#### Chen Yun Is Active Again. Frequently Meeting With Yao Yilin [subhead]

Chen Yun, who has not appeared for a long time and who holds court from behind a screen, is the only man at present who dares to contend with Deng Xiaoping. During his summer holidays in Yantai, Chen summoned his trusted follower Yao Yilin to give him a confidential briefing. Their discussion included economic policies, Zhao Ziyang's mistakes and the measures adopted to "correct" them, and the question of urban environmental protection. Later Beijing newspapers carried a report entitled "Comrade Chen Yun's Three-Point Instructions on Environmental Protection." As a matter of fact, there was nothing new in Chen's instructions. The fact that Chen gave instructions indicates that he is still healthy and is taking part in political affairs.

#### Peng Zhen Goes to Xinjiang, Putting on a Big Show [subhead]

The news of 85-year-old Peng Zhen, former NPC Chairman who has no rank or title now, paying an "inspection tour" of Xinjiang is really ridiculous. Since Peng has retired and become an ordinary citizen, how can he appear in the newspapers in the capacity as a state leader? The Xinjiang local authorities gave him a grand reception. They organized Uigur festival gatherings and performed horse races and dancing especially for Peng Zhen. If a "veteran revolutionary" who has withdrawn from the political arena can still enjoy such privileges, what about those who are still in office?

#### Hu Qiaomu and Wang Zhen Are in Favor of Deng Liqun Assuming the Office of President of the Academy of Social Sciences [subhead]

There is another piece of news in the political arena: Hu Qiaomu, once a "theoretical authority" of the CPC, has become active again. Besides attending a number of meetings in Beijing, it has been reported that he is using his personal influence to seek a new office (president of the Academy of Social Sciences) for his "old partner" and "tested friend" Deng Liqun. It is said that Wang

Zhen and Bo Yibo are in favor of Deng Liqun taking charge of "theoretical building" work, expecting him to break a path from the ideas they deem departing from classics and orthodoxy and "set to rights the things thrown into disorder."

**Scholars of the Academy of Social Sciences Jointly Submit Letter Opposing the Proposal [subhead]**

Although the veterans of the Central Advisory Commission have proposed that Deng Liqun assume the office of president of the Academy of Social Sciences, Deng Xiaoping has not nodded assent. It has been reported that a number of middle-aged and young scholars of the academy have jointly submitted a letter to the CPC Central Committee opposing the comeback of the "leftist" ringleader, who is well-known for launching "class struggles" in the ideological sphere.

The "conservatives" have now gained the initiative in economic policy-decisions. If Hu Qiaomu, Deng Liqun, and their followers can again get the upper hand in the ideological sphere in collaboration with Hu Qili who assumes the power of literature, education, propaganda, and theoretical research, it will be a calamity to the literary and academic circles.

**The Public Follows With Interest the Next Step Taken by Zhongnanhai [subhead]**

Hence, the sensitive figures in Beijing's intellectual circles are shivering even when the piercingly cold wind has not yet arrived.

When restrictions are imposed on the economy and politics, it will be impossible for culture to "maintain its own integrity." The suffering Chinese people are following with close attention the next step taken by Zhongnanhai.

**Harmony, Openness Stressed in Creative Work**  
*HK0111015888 Hong Kong WEN WEI PO in Chinese*  
*1 Nov 88 p 1*

[("Dispatch" by correspondent Liu Jui-shao (0491 6904 4801): "Beijing Leadership Stresses Harmony and Openness on Eve of the Fifth Literature and Art Congress; Leadership's Views on 'River Elegy' Will Not Be Relayed as a Central Document")]

[Text] Beijing, 31 Oct—According to a well-informed source, on the eve of the convocation of the Fifth Literature and Art Congress, the CPC Central Committee has presented a three-point view on literature and art work.

The three-point view is as follows: 1) Comments on literature and art work should be made by the literature and art circles and theoretical circles themselves; it is necessary to create a harmonious, open, and stable atmosphere for creative work. 2) It is inadvisable for leaders to give specific views or make specific criticisms

of literature and art work because this will evoke sensitive repercussions; 3) Recent comments on "River Elegy," including the views of the leadership, will not be relayed to the lower levels as a central document. These views have been put forward in light of the recent repercussions in literature and art circles.

The Fifth Literature and Art Congress will open on 8 November. Responsible persons from the preparatory group, including Xia Yen, Wu Zuqiang, and Lin Mohan, will hold a news conference on 5 November to brief reporters.

It is learned that at the forthcoming literature and art congress, the delegates will discuss the organizational nature of the China Federation of Literature and Art Circles and personnel arrangements for the leading body, and review the situation of past creative work. At that time, Hu Qili will also speak on behalf of the CPC Central Committee. The manuscript of his speech has basically been completed but has not been finalized.

Literature and art circles make different appraisals of the literature and art congress. People hope that the meeting will be able to reflect the views of all quarters and enliven and bring prosperity to creative work in literature and art circles.

**Du Daozheng on More Openness in Media Reform**  
*HK0111051288 Hong Kong WEN WEI PO in Chinese*  
*1 Nov 88 p 1*

[("Dispatch" by correspondent Yao Hsin-pao (1202 2946 0202): "Du Daozheng Recently Proposed That More Openness Is Needed in China's Media Reform")]

[Text] Shenzhen, 31 Oct—How is China's current media reform conducted? Du Daozheng, director of the State Media and Publication Office, has put forward three basic points: Increase openness, intensify participation, and strengthen supervision over party and government cadres. Du Daozheng made the above-mentioned remark in a talk with Su Chen, editor-in-chief of YAN-HAI DA WENHUA BAO. According to the newspaper, when discussing specific issues concerning press reform Du Daozheng especially stressed that the current media reform should first concentrate on the following basic points: First, it is necessary to let the people know the overall situation; second, the people should be allowed to discuss major issues because this is also the people's right as the masters of the state; and third, the people should exercise supervision over party and government cadres.

**State Council To Check Issuance of Cash, Gifts**  
*OW2910151188 Beijing XINHUA Domestic Service*  
*in Chinese 0746 GMT 29 Oct 88*

[Text] Beijing, 29 Oct (XINHUA)—In an effort to implement the "Circular on Strictly Banning Indiscriminate Issuance of Cash and Goods and Gift Giving" issued by the State Council General Office and to ensure

party and government organs' administrative honesty, the State Council has decided to thoroughly check the issuance of cash and goods in September and October.

The major organs to be checked are those directly affiliated with all ministries and commissions under the State Council, state bureaus under the jurisdiction of these ministries and commissions, and economic entities and institutes under the State Council.

The Auditing Administration will seriously handle all problems discovered during the check, according to regulations. Anyone that needs to return cash or gifts and anyone who is fined will be handled accordingly. Those whose cases are serious will be subjected to supervisory departments' disciplinary measures.

In a circular issued not long ago, the State Council General Office urges responsible persons of all units to seriously organize and carry out checks, saying that perfitoriness is impermissible and that leaders of units who try to cheat or cover up will have their responsibilities investigated.

**Cases of Attacks on Judicial Cadres Reported**  
*HK3110081188 Beijing RENMIN RIBAO in Chinese*  
*24 Oct 88 p 4*

[Report by Wang Kening (3769 0344 1337) and Mao Lei (3029 4320): Judicial Cadres in Some Localities Are Often Beaten Up While Performing Duties"]

[Text] 23 Oct, Beijing (RENMIN RIBAO)—Over the past few years cadres of the people's courts in some localities have often been caught in a cross fire of attack, scolded and beaten up. In this connection, a spokesman for the Supreme People's Court appealed to society to lend active support for work of people's courts and their staff, safeguard the due authority entrusted by the Constitution and the law, and protect the execution of state judicial authority.

On the morning of 11 August this year, a peasant named Wang Pinghu in Ankang County, Shaanxi Province, rushed into the Wulijie People's Court with a knife and stabbed a judicial worker called Sun Jiazhu just because he appealed against a decision made against him by the People's Court. At the moment, Sun dodged swiftly to one side but Wang continued to stab him. Finally, Wang was subdued by three officials of the court and was handed over to the local police station. An hour later, the wife of Sun Jiazhu was severely injured by Wang Pinghu with a spade and was in a coma for 4 days. Statistics show that in the 2 years from 1986 to 87, 178 incidents of stopping the People's Courts from exercising their duties and besieging and beating up personnel of people's courts occurred in 17 prefectures and cities of Henan Province, and 535 judges came under attack from all sides, 49 of them were severely beaten up, and 20 cars and other things were damaged. All this reflects the following problems:

—A great number of cadres and the masses are blunted in the sense of legality and they defy the law for their own interests or the interests of units they work at.

—In recent years forces of patriarchal clans have apparently gained ground again in some rural areas. For the interests of their patriarchal clans, some people go so far as to defy the law.

—Party and administrative organs in some grass-roots units are lax in discipline and render no cooperation and support to the people's courts in law enforcement.

The spokesman for the Supreme People's Court pointed out: In recent years a number of incidents of besieging, scolding and beating up on judges have occurred. Those involved in the incidents must be promptly and seriously dealt with according regulations prescribed by the law. To reduce and even put an end to such incidents, efforts must be made to heighten the citizens' sense of law and support work of the people's courts and judges.

**Progress Noted in Personnel System Reform**  
*OW3010170088 Beijing XINHUA Domestic Service*  
*in Chinese 0057 GMT 27 Oct 88*

[By reporter Hu Qinghai]

[Text] Beijing, 27 Oct (XINHUA)—The normal succession of veteran cadres by younger ones has been achieved following the replacement of large numbers of personnel in various leading groups over the past 5 years. This shows that great progress has been achieved in the reform of the nation's personnel system, which has become more democratic than ever before.

According to the CPC Central Committee Organization Department, the major successes China has achieved in reforming the personnel system can be observed in the following areas:

—The former lifelong tenure system for leading cadres has been abolished. Thanks to the implementation of the general policy of making the ranks of cadres more revolutionary, younger in average age, more educated, and professionally more competent, great changes have taken place among cadres, especially those working in various leading groups. During the 1982-1987 period, 550,000 young and middle-aged cadres were promoted to county-level or higher leading posts, and 2.87 million veteran cadres retired.

—The delegation of administrative authority to lower units has changed the previous state of overcentralization of administrative power. Since 1984, in the spirit of "exercising less but more effective and lively control," party committees at all levels have, in principle, exercised control over authorities only one grade lower than themselves, instead of the previous two grades. In fact, all enterprises, institutions, and mass organizations have been managing their own cadres, with the exception of

principal leading cadres. This has given the lower units—especially enterprises—greater power to decide their personnel affairs. The 13th National Party Congress further reaffirmed the principle for management of cadres according to their categorization.

—The system governing the election of cadres has been improved. In accordance with the relevant rules governing the election of cadres, all leaders of party and state organs and some mass organizations are now elected by their respective congresses. During the course of an election, candidates are first nominated through repeated deliberations and democratic consultations, and then they are chosen by voters to fill the posts. The measure that many representatives can nominate one candidate together has given them greater democratic power and heightened their political enthusiasm in getting involved in political affairs, thus providing a new way of broadening people's democracy and making the masses' supervision over leading cadres more effective.

—Appointment, dismissal, promotion, and demotion of cadres have become more open and visible. At one time or another, the CPC Central Committee has drawn up specific regulations governing the democratic procedures of selecting cadres and evaluating the performance of party and government cadres. Prior to promoting cadres, voters are encouraged to recommend their candidates or give their views, and candidates are nominated on the basis of the public opinion poll and recommendations. Promotions of county-level or higher ranking party and government leaders are based on democratic appraisal of their performance in various fields, and those who do not have majority trust, or those whose performance shows that they are incompetent, are replaced through proper procedures. This has demystified personnel affairs and eliminated any artificiality; more importantly, it depends on the masses' wisdom to evaluate the performance of cadres, thus finding a practical way to promote or demote cadres.

—Adhering to the principle of choosing the best through open and equal competition, some departments and units have adopted the system under which offices are filled through competition and pay scales are adjusted on the basis of performance. Instead of being appointed by the higher authorities, the operators of many enterprises are now hired through open bidding. Some institutes have produced their leaders by means of democratic election and recommendation. Cadres of all town and township authorities are now elected or hired. Many local authorities and departments recruit their cadres by holding public examination and choose the best they need. Scientific and technical personnel are hired on the basis of their specializations. These reforms not only have given individual cadres greater decisionmaking power to choose their jobs according to their proficiencies, but also have given grassroots units greater power to decide on people they want to use.

—The vast number of cadres and people have had a much stronger sense of democracy. Cadres have become more receptive to and tolerant of democratic supervision; the people have become more eager to exercise their democratic rights and execute democratic supervision; and the entire personnel management system—which used to be centralized, exclusive, monopolistic, and mystified—is heading toward open, equal, and diverse competition in which only the best are chosen. This has laid the foundation for further democratization of personnel affairs.

According to the CPC Central Committee Organization Department, there are still many problems to be studied and resolved during the course of democratizing personnel affairs. First, the theoretical study of democratization still cannot keep up with the needs appearing in the development of reform, and so the implementation of certain reform measures lacks the necessary theoretical support and guidance. Second, some leading cadres' mentality and work style are still unable to keep pace with requirements in democratic development. They think that, in terms of selecting and using people, they still can count on what they say and do what they want to do according to their subjective preferences. Third, since a social environment with social equality is yet to take shape, then equal competition still cannot be fully reflected in employment. Fourth, the legal system governing personnel affairs is still defective, and there are still no effective supervisory measures to guard against violations of democratic order and law.

**Punishment Urged for Economic Offenders**  
*HK2810154988 Beijing RENMIN RIBAO in Chinese*  
22 Oct 88 p 5

[Letter from Liu Xuelu (0491 1331 7627) of Changsha Cigarette Factory, Hunan: "Severe Investigation and Punishment Must Not Be Empty Talk"]

[Text] The State Council has recently decided that to improve the economic environment and to rectify the economic order, a vast investigation of taxes, financial affairs, and commodity prices will be carried out throughout the country. Hearing this, the masses clap their hands and shout "bravo!" Although I feel happy about this, I am also worried about the results of the investigation. Will the illegal and criminal activities in the economic field be severely cracked down upon? Will the investigation be successful and punishment meted out? My worries are not uncalled for, because phenomena of refusing to execute orders or disregarding bans have occurred very often. For example, early this year the State Council issued an urgent notice on reducing institutional purchasing power. However, during the period from January to July this year, institutional purchasing power was considerably enhanced, rather than being reduced. In May this year, the Central Discipline Inspection Commission issued a circular, once again prohibiting party and government organs and cadres from carrying out business activities and running

enterprises. Despite the circular, "government profiteers" persist. The central authorities have repeatedly banned the practices of arbitrarily increasing commodity prices and of making use of public funds for extravagant eating and drinking. However, in some localities the bans have produced little effect. Central documents are serious documents, but some people do what they wish, despite central documents. What is worse is that after the issuance of central documents, some people intensify their efforts in malpractices. If the situation remains unchanged, the prestige of the party and the government among the masses will be severely damaged, and the great undertaking of the four modernizations will be adversely affected. I propose that the central authorities conduct a mass investigation of the results of implementing central documents. Anyone who violates the stipulations of the central authorities will be resolutely dealt with in accordance with the case, despite their position. Severe investigation and punishment must not remain empty talk. They must be executed in deeds. Only thus can laws and bans be enforced.

**Trade Union Budget Committee Namelist Issued**  
*OW0111021988 Beijing XINHUA Domestic Service*  
*in Chinese 1442 GMT 27 Oct 88*

[Text] Beijing, 27 Oct (XINHUA)—The 11th Budget Examination Committee of the All-China Federation of Trade Unions held its first meeting on 27 October to elect its chairman, vice chairmen, and Standing Committee members. Namelist follows:

Chairman: Wang Xun

Vice Chairmen: Jiang Yongqing [5592 3057 3237] and Zhang Huai

Standing Committee members: (in the order of the number of strokes in their surnames) Feng Zibin [7458 1311 1755], Zhang Renqi [1728 0088 4388], Zhang Yian [17282496 1344], and Jin Xiangdong [6855 0686 2639]

**TA KUNG PAO Interviews Mao's Grandson**  
*HK0111063088 Hong Kong TA KUNG PAO in Chinese*  
*31 Oct 88 p 13*

[“Personality Trends” column: “Mao Zedong’s Grandson Mao Xinyu Likes Studying History”]

[Text] The slovenly young fatty, Mao Zedong’s grandson, Mao Xinyu, was apt to lose his temper years ago. Several days ago our reporter visited with Mao Xinyu in one of the student dormitories at the Chinese People’s University. A new student, Mao Xinyu has a dark complexion, short hair, and stands 1.73 m tall. His army uniform was tightly stuffed as he weighs almost 100 kg. New students at the university are required to do military training in Shanxi, but he was an exception because he had to remain behind to convalesce.

**He Hates Jiang Qing [subhead]**

Mao Xinyu is a history student because he likes history and therefore enrolled in this department. In this respect he is quite similar to his grandfather, who kept piles of threadbare ancient books at the head of his bed. He said he was quite interested in modern Chinese and world history, adding that he would study history and go abroad for investigations in the future if he does not engage in politics.

He is writing a book entitled the “Pauper Emperor,” about Zhu Yuanzhang. He has written about 10,000 words by researching historical material concerning the Ming Dynasty. He plans to write covering the Ming to the Tang Dynasties.

Mao Xinyu said he hated Jiang Qing very much. He was born 17 January 1970 and was thin and weak when he was younger. His mother had neither the time nor the opportunity to look after him because she had to frequently go into hiding in Beijing Railway Station or in Zhongshan Park to avoid persecution by Jiang Qing. At the age of 7, his nursemaid gave him a kind of Chinese medicine named “Feierwan,” which can make children fat. With a change for the better in his appetite he ate a lot and subsequently grew fat. No wonder he blamed Jiang Qing for his being both thin and fat.

On each occasion commemorating his grandfather’s birthday and death during the 12 years since Mao Zedong’s death he said, people from his own and Jiang Qing’s daughter’s families have to go to Mao Zedong’s Memorial Hall to pay their respects to his remains. The two families always greet each other when they meet but people in his family have never visited Jiang Qing.

Mao Xinyu was quite indignant at what was being spread abroad about Mao Zedong’s relationship with Zhang Yufeng. Trusting his grandfather, he asserted that these were rumors.

**He Joined the Communist Youth League [subhead]**

Mao Xinyu said he encountered some difficulties in joining the CYL. He submitted an application for CYL membership in 1986 but difficulties arose because of his participation in the late Li Chen-pien’s Fund. The party committee at the middle school attached to Beijing University, where he studied before entering the Chinese People’s University, investigated this matter. He told them that Li was a native of his grandfather’s village and went to the United States after the autumn harvest uprising. Li Chen-pien’s Fund was a civilian organization aimed at promoting Sino-American friendship. Subsequently Mao Xinyu’s mother Shao Hua submitted material concerning Li to the school’s CYL organization, and he was admitted into the CYL. Unexpectedly, the grandson of the “great helmsman” also had difficulties to tackle over his political prospects. These troubles were generally blamed on the children and grandchildren of families with allegedly “vicious backgrounds” during the Cultural Revolution. Times have indeed changed.

What other troubles does he have? One is that girls keep writing him love letters. Mao Xinyu said with a smile: "I do not know which part of me attracts people's attention." He added that he was too young to think about this matter.

**He Admires Stalin [subhead]**

When people in academic and theoretical circles were downgrading Stalin during their reappraisal of Stalin and Mao Zedong, Mao Xinyu stated that he admired Stalin very much, adding that Stalin showed solicitude for his father Mao Anqing during his 20-year stay in the Soviet Union. Mao Xinyu shows great respect for his grandfather's foreign friends, including Stalin of course. He said his father is now 63, has retired, is translating Snow's book "Stalin Needs Peace," and is planning to write his memoirs of life with Stalin. His mother has also retired, is suffering from heart disease, and is also engaged in writing.

**Leaders Pay Last Respects to Sa Kongliao 31 Oct**  
*OW0111042688 Beijing XINHUA Domestic Service  
in Chinese 1302 GMT 31 Oct 88*

[Excerpts] Beijing, 31 Oct (XINHUA)—Some 400 people from various circles in the capital gathered at the auditorium of the Babaoshan Cemetery for Revolutionaries this afternoon to pay last respects to Comrade Sa Kongliao, an exemplary communist, member of the Standing Committee of the Sixth CPPCC National Committee, and vice chairman of the Central Committee of the China Democratic League.

Comrade Sa Kongliao died in Beijing on 16 October 1988 at the age of 81.

Comrade Sa Kongliao's remains laid in state in the auditorium amidst flowers and pine twigs with an emblem of the CPC on top. Wreaths sent from Comrades Yang Shangkun, Li Peng, and Wan Li, as well as from the NPC Standing Committee and the CPPCC National Committee were placed on both sides.

Comrades Wang Zhen, Li Tieying, Song Renqiong, Liu Lantao, Hu Qiaomu, Xi Zhongxun, Ngapoi Ngawang Jigme, Banjen Erdini Qoigyi Gyancan, Fei Xiaotong, Sun Qimeng, Lei Jieqiong, Kang Keqing, Wang Guangying, Zhao Puchu, Qu Wu, Ma Wenrui, Hu Sheng, and Chu Tunan paid tribute to Comrade Sa Kongliao, a well-known social activist and journalist, pioneer of ethnic culture in China, and prominent leader of the China Democratic League. They also offered condolences to his wife Zheng Xiaozhen and children. [passage omitted]

Among those who bid farewell to Comrade Sa Kongliao were some Standing Committee members and members of the CPPCC National Committee; vice chairmen, Standing Committee members, and Central Committee members of the China Democratic League; officials from the press and

publications circles; office personnel of the CPPCC National Committee and the China Democratic League Central Committee; and friends during his lifetime.

Wreaths were also sent from the Propaganda and Organization Departments of the CPC Central Committee, the State Nationalities Affairs Commission, the State Media and Publications Office, the central committees of all democratic parties, the All-China Journalists' Association, the Beijing Essay Society, the China Encyclopedia Publishing House, the Beijing Nationalities University, and the leading organs of Sichuan Province.

**Rui Xingwen, Others Greet Returning Athletes**  
*OW0111023888 Beijing XINHUA Domestic Service  
in Chinese 1518 GMT 26 Oct 88*

[By reporter Chen Yan]

[Excerpts] Beijing, 26 Oct (XINHUA)—Loaded with remarkable records, the Chinese athletes to the eighth Special Olympics returned to Beijing by special plane this afternoon. They were greeted at the airport by Rui Xingwen, Liao Hansheng, and other leaders. [passage omitted]

Speaking on behalf of the CPC Central Committee and the State Council at a brief welcoming ceremony, Rui Xingwen congratulated the handicapped athletes on their achievements. He said: The handicapped are an important force who should not be underrated in building socialist material and spiritual civilizations in China. It is hoped that the entire society will show more understanding, respect, concern, and support for the handicapped and their cause.

Also among those welcoming the handicapped athletes at the airport were officials from the Ministry of Civil Affairs, the State Physical Culture and Sports Commission, and the China Handicapped Association, including Fang Baojun, Xu Cai, and Deng Pufang.

**'Great Progress' Seen in Super Conductor Research**  
*HK2810130788 Beijing CEI Database in English  
28 Oct 88*

[Text] Xian, (CEI)—Baoji Rare Metal Processing Research Institute has made great progress in the research of super-conductive materials.

The researchers of the institute have improved the techniques of making magnetic screen cylinder and produced the new Ybacuo [ytterbium, barium copper oxide] screen cylinder, the function of which has been greatly improved.

Tests showed that the best  $J_c$  [critical current density] of the Ybacuo has reached 1530 a/cm [amperes per centimeter] square (77k, ot). [kelvin, optimum temperature]

The Ybacuo, with an external diameter of 23 mm, an internal diameter of 15 mm and a length of 102 mm, is sealed at the bottom.

Since the new cylinder was made three months ago, it has been repeatedly tested by being put into liquid nitrogen temperature and room temperature alternately. Its function did not show any clear changes during the tests, which indicates that the cylinder can meet practical requirements.

**Chi Haotian Urges Raising Army Combat Capacity**  
*HK0111041588 Beijing JIEFANGJUN BAO*  
*in Chinese 16 Oct 88 pp 1, 4*

[“Excerpts” of speech by Chief of Staff Chi Haotian at a cadre meeting of Army units taking part in campaign exercises of the Lanzhou Military Region: “Meet the Needs of Military Struggle in the New Period, Constantly Increase the Defense and Combat Capacity of Our Army—date and place not given]

[Text] Today, in line with the spirit of the two meetings of the CPC Central Committee and the instructions of the leading cadres of the Central Military Commission, I would like to raise a four-point view on how to meet the needs of military struggle in the new period and constantly increase the defense and combat capacity of our Army:

**1. Get a Clear Understanding of the Situation and Enhance Our Understanding of the Practical Significance of Increasing Combat Effectiveness [subhead]**

The combat effectiveness of an army is a form of social productive forces translated into the military field; increasing combat effectiveness is our consistent objective in Army building and military work. We should be very clear about this in both understanding and practice. Our Army building has entered a new historical period and faces many new conditions and problems. Under such circumstances, we should never forget or neglect the work of increasing the combat effectiveness of our Army. Moreover, the survival and development of the state call for the vigorous creation and safeguarding of a peaceful, stable international environment and a social environment characterized by stability and unity. This makes it necessary for us to think of danger in times of peace, to strive to increase the fighting capacity of our Army, and to be prepared for all eventualities.

Under the new situation, how to constantly increase the defense and combat capacity of our Army is a fairly urgent task lying before us.

In peacetime, Army work involves a multitude of things. But we must make clear that all our work should center on the basic function of the Army. From the general departments to Army units, we should try by every possible means to improve the military quality of Army units and

increase their combat effectiveness. We should use our heads and attain some real achievements. This is a matter of orientation to be grasped in our guidance of work.

**2. Second, Enhance Our Capacity To Deal With Local War and Military Conflicts [subhead]**

In recent years, we have effected a strategic shift in our guiding ideology on Army building. In line with the spirit of the instructions of the leading comrades of the Central Military Commission, the whole Army has scored new successes in studying local war [ju bu zhan zheng 1444 6752 2069 3630]. Last year, the organs of the general departments sponsored courses with local war as the main content. They organized relevant comrades in viewing and emulating Army groups' campaign exercises with local war and military conflict as the background. All military regions, the Navy, the Air Force, the Second Artillery Corps, the PLA National Defense University, and military academies also conducted discussions and exercises around this issue and attained some results. Based on the experience of the whole Army, the present campaign exercises organized by the Lanzhou Military Region have taken another step forward. All these show that we have put the question of dealing with local war and military conflict high on the agenda.

At present, to deepen the study of local war, it is first necessary to step up the study of the laws governing, and the features of, local war, to make clear the difference between local war and all-out war, and to explore the basic issues of local war, such as operational theories, patterns, and guiding principles. Meanwhile, we should make clear that the manifestations of local war vary according to time, location, and conditions and that there will not be only one pattern. Our country has a vast territory and the conditions vary in different parts of the country. Instead of indiscriminate imitation, all Army units should conduct their studies in light of their different conditions. This should be a basic starting point in our study of local war.

**3. Ensure the Strategic Position of Military Training and Improve the Military Quality of Officers and Men [subhead]**

If we do not pay attention to military training, we shall not be able to meet the needs of modern warfare and enhance the defense and combat capacity of our Army. In particular, changes in the patterns of war in our time have provided our Army with many new topics in fighting and training. For this reason, we should constantly study them. In peacetime, we should study war and learn to control war through training and simulated war. Through training, we can improve the commanding skills of officers and the fighting skills of soldiers, cultivate the Army's brave and tenacious style, test and develop military theories and operational structure and establishment, improve operational plans and battlefield building, and promote Army building and preparations against war. Precisely because of this, Chairman Deng of

the Central Military Commission repeatedly points out that it is necessary to place military training in a strategic position. Recently, the Central Military Commission again pointed out the need to regard military training as a regular, central task. Our leaders at all levels must enhance their understanding of this point.

The basic function of the Army is to defend state security and safeguard state sovereignty and territorial integrity. The value of the Army's existence precisely lies in achieving this function. If military personnel do not study military skills and if Army units do not conduct training, they will not have any combat effectiveness and the value and significance of the Army's existence will be lost. The tendency of "being indifferent toward the study of military skills," which has emerged in some Army units, merits the close attention of leaders at all levels.

The generals and field officers present at the meeting are high-ranking cadres shouldering the heavy trust of the party and the people. It is hoped that the comrades will go all out to make the country strong, proceed from realities in military struggle, pay close attention to, and make a success of, their own training, and organize and guide well the training of their subordinates. In the past, Marshall Liu and Marshall Ye often said that the first-in-command should grasp training. As I see it, it is of greater necessity and importance to implement this principle today. Soldiers look to cadres and the lower levels look to the higher levels. If our senior cadres earnestly practice what they advocate, it will be popularized in the whole Army and the question of practicing training and improving quality can be easily solved.

In line with the decisions of the State Council and Central Military Commission, the work of demobilizing and recruiting soldiers will be postponed until next March and April. Army units should take advantage of the 5 or so months prior to conscription to launch winter training. All Army units should fully utilize this favorable opportunity and make a success of winter training by making scientific arrangements and meticulous organization.

#### 4. Strictly Administer the Army and Establish Regular Order in War Preparedness, Training, Work, and Life [subhead]

The essence of building a regular army is to increase combat effectiveness. We should have a clear understanding of this point. In building a regular army, our outstanding problems are ideological laxity, slack management system, style, and discipline, and confusion in war preparedness, training, work, and life. Leaders at all levels must attach great importance to building a regular army and start with strict rectification. They should comprehensively administer the problems characterized by "laxity, slackness, and confusion" and gradually establish regular order in war preparedness, training, work, and life in order to increase the cohesive force and combat effectiveness of Army units.

To date, our Army is implementing the three regulations and practicing a new military rank system. Both officers and men are wearing uniforms with military ranks. This historical change has created a very favorable environment for building a regular army. It has also set new demands. All units should take advantage of this favorable opportunity to carry out comprehensive and in-depth education in soldiers' bearing. We should stress setting strict demands. We should neither tolerate nor accommodate an unhealthy style of work so that the Army style characterized by vigorous and prompt action and strict enforcement of orders and prohibitions can be carried forward. Leaders should take the lead and set an example for others and, from top to bottom, those at the higher levels should set an example for those at the lower levels. It is necessary to vigorously step up education among Army units and, through strict training and management, to cultivate the habit of all persons acting according to the regulations and fulfilling their duties according to the law.

#### Open Door Policy Continues Despite Cutbacks

OW3010184888 Beijing XINHUA in English  
0830 GMT 30 Oct 88

[("News Analysis: Doors Still Open Despite Domestic Cutbacks (by XINHUA correspondents Chen Ming and Li Lubo)"—XINHUA headline)]

[Text] Beijing, October 30—Despite the advent of winter, an air of spring seems to be wafting through business relations along the once frigid Sino-Soviet border, as Chinese workers prepare to launch joint ventures and provide labor services in the Soviet Union next year.

The air from the east appears equally invigorating at the moment, with the South Koreans tapping at China's door in an attempt to establish footholds in the Shandong and Liaoning peninsulas for long-term business ties throughout the country.

Chinese businesses have been equally active, making a major touch-down in the world satellite-launching market with their "Long-March" carrier rocket and closing a deal with U.S. west coast refineries to process oil from the Daqing oilfield and sell it through American marketing networks.

All of this serves as proof that China is still expanding its economic co-operation with foreign countries despite spending cutbacks aimed at tightening the reins on inflation and improving the economic environment at home.

Both government statistics and the projections of economists seem to agree that China's ten year-old open door policy is working in the interest of China and the world at large and that it is now impossible to shut China's door to the outside world again.

Aided by this policy, China has obtained 60 billion U.S. dollars in foreign investment during the past 10 years and has used the money to import advanced technology and managerial expertise.

Approximately 11,000 foreign-funded business ventures have now been set up in China, with 80 percent of them generating profits.

Several Chinese leaders have recently made it a point to assure potential foreign investors that China's efforts to straighten out its domestic economic order will not affect the open policy, nor will the implementation of joint investment and co-operative venture agreements or foreign government loan programs be disrupted.

For example, Zhao Ziyang, general secretary of the Chinese Communist Party Central Committee, recently told a visiting Canadian banker that rather than reversing China's policies of reform and openness, the new measures are being adopted to provide a more favorable climate for these policies and to encourage even more co-operation between Chinese and foreign companies.

While meeting five outgoing foreign ambassadors, Premier Li Peng remarked that "China's effort of focussing on the rectification of the economic environment during the next two years is not designed to put the brakes on development, but is in fact being done in order to make more headway."

Vice-Premier Tian Jiyun has assured trade negotiators that China will expand its business ties with foreign countries and has urged them to continue to work for the expansion of China's exports.

"Active effort should be made to encourage the use of foreign capital in the development of worthy projects," Tian said. "Only non-productive or redundant projects will face the prospect of being cut."

Although domestic loans and construction spending were tightened, the Bank of China will continue issuing loans to foreign-funded ventures, especially productive and technologically advanced projects capable of generating foreign currency from exports, a leading official of the Bank of China has pledged.

In recent years the bank has issued a total of 1.4 billion U.S. dollars in foreign exchange loans and 10.5 billion yuan in renminbi (Chinese currency) loans to 2,900 firms backed by foreign investment.

Zhang Ge, deputy director of the State Council's Office of Special Economic Zones, told XINHUA that China's commitment to encouraging foreign investment has not changed and that all preferential policies made by the government in this respect will continue to be implemented.

At the same time, trade restrictions have been liberalized. The number of commodities requiring export licences was reduced by 84 last July by the Ministry of Foreign Economic Relations and Trade (MOFERT).

MOFERT's vice-minister, Li Lanqing, assured a Sino-Belgian trade conference earlier this month that co-operative Sino-foreign projects were not included in the government's plan to cut the budget for construction spending by a quarter next year.

And further reassurance comes from Yuan Mu, a spokesman for the State Council, who told a press conference here on Friday that the government will protect projects involving foreign countries that are already underway and will continue to implement agreements for such projects already signed or undertaken.

His remarks have been widely interpreted by foreign observers as a reliable indication of the sincerity of this latest effort by the Chinese Government to assure foreign businesses that China's door is still open to them, and that their investment here will not suffer from what is going on domestically.

**Ways To Improve Currency Management Studied**  
HK3110023388 Hong Kong *WEN WEI PO* in Chinese  
31 Oct 88 p 2

[*"Dispatch"* by correspondent Liu Jiu-shao (0491 6904 4801): "Beijing Leadership Studies Ways of Dealing With Loopholes in Management of Currency Circulation"]

[Text] Beijing, 30 Oct—To improve monetary order, Chinese top leaders are studying ways to strengthen management over the putting of money into circulation.

An informed source disclosed that about 2 weeks ago, the relevant department notified some investigation and research organs to study the issuing of money in Chinese history. Reports say that the economic group of the State Statistical Bureau, the economic group of the Research Office of the NPC Standing Committee, and some academic organizations are engaged in this study and that some of them have submitted initial investigation reports.

Some experts have pointed out that the existing monetary circulation system needs to be improved. The State Council issued a notification in 1984 that major introductions of money into circulation should be submitted to the State Council for approval; however, there was no explicit explanation of the word "major." Apart from this, there have been loopholes in the course of its implementation for various reasons. The central authorities are now studying this problem to make preparations for the formulation of a monetary circulations system.

These experts also said that the monetary situation would become grave next year because the amount of money issued this year has exceeded the planned proportion. Moreover, a certain amount of money will be issued during the purchase of agricultural products at the end of this year. In China, money produces an impact on the market 10 months after it is issued. Therefore, while making efforts to control next year's inflation, the relevant department is also studying ways to fundamentally improve the system of putting money into circulation.

**Tax Collection Satisfactory in First 9 Months**  
*OW2910055088 Beijing XINHUA Domestic Service  
in Chinese 0921 GMT 24 Oct 88*

[By reporter Ding Jianming]

[Text] Beijing, 24 Oct (XINHUA)—According to the State Taxation Bureau, tax collection during the first 9 months and more was completed fairly well.

Statistics show that, from January through mid-October, the nation collected a total of 119,357 million yuan of business taxes. That was 12.1 percent higher than in the same period last year, and 78.7 percent of the annual plan.

It is learned that many problems have to be dealt with in order to accomplish this year's tax collection plan, and exceeding it by 3 billion yuan in particular. This is primarily because there has been a sharp increase in export tax refunds and delinquent tax payments, as well as in the number of cases of repaying bank loans with tax money and pre-tax credit payments this year. Moreover, tax evasion has been serious among enterprises and independent businesses. Seriously affected by departmentalism, the leading authorities of some localities care little about the interests of the whole and have unscrupulously authorized tax exemptions, driving tax reduction and exemption out of control.

To make sure that this year's tax collection plan can be accomplished, the State Taxation Bureau has urged all local tax departments to intensify control of tax collection and export tax refunds, strictly enforcing the system of approving the latter, and harshly punishing those units deliberately attempting to cheat.

It is learned that, to coordinate nationwide taxation inspection, the State Taxation Bureau will dispatch personnel to some areas burdened with heavy tax collection responsibilities to help the taxation departments there eliminate interference so that all collectable taxes will be delivered to the state treasury.

**Serious Tax Evasion Revealed**  
*OW2910054688 Beijing in English to East and  
South Africa 1700 GMT 26 Oct 88*

[Text] The Chinese Government is urging stepped up enforcement of the country's tax laws in light of massive tax evasions among the country's enterprises and businesses. But that does not mean changes in the tax law or

in preferential treatment for foreign investors. (Wei Liang) reports an emergency meeting held by the State Tax Bureau in Beijing on Wednesday [26 October]. (Xie Xiao) reads the report:

Forty-six representatives of tax bureaus from all over China attended the emergency meeting. Jin Xin, general director of the State Tax Bureau, stresses the significance of the meeting.

[Jin Xin]: [Speaking in Mandarin, fading into report in English] Jin says the emergency meeting was called for two reasons. One is to insure that the country's tax laws are strictly enforced. Another is to discuss ways for fulfilling the goal of collecting 3 billion yuan more in taxes this year. Statistics from the country's Tax Bureau show that 50 percent of enterprises and 80 percent of individual businesses are evading taxes. Director Jin Xin analyzes the reasons.

[Jin Xin]: [Speaking in Mandarin, fading into report in English] Jin says firstly many people and work units simply don't observe the country's tax laws. Secondly, Jin says tax evasion occurs with the incorrect handling of work unit benefits. Thirdly, China's tax branches should be given more authority to collect taxes. Jin also warns that tax evaders should be forced to pay up immediately. Those who try to conceal their actions will be severely punished. China's central government had planned a 3 billion yuan budget increase from this year's tax, but so far only about 75 percent of the money has been collected. Jin Xin thinks that it is still possible to collect the remaining 25 percent.

[Jin Xin]: [Speaking in Mandarin, fading into report in English] Jin says some enterprises have trouble handing over the tax on time because they don't have enough money on hand. This is a major problem. Jin also asks that in China there are now more than 12,000 foreign joint venture enterprises. China has always offered preferential tax treatment for these foreign investors. Jin says these investors will not be affected by the country's stepped up enforcement.

**'Special Dispatch' on Medium-Term Reform Plan**  
*HK3010084288 Hong Kong MING PAO in Chinese  
30 Oct 88 p 9*

[Special Dispatch From Beijing]: "Medium-Term Reform Plan Now Set; New System Will Predominate Within 8 Years"]

[Text] A relevant personality disclosed that, through the concerted efforts of many departments, the formulation of China's medium-term plan for the economic structural reform in the next eight years is completed.

According to this plan, China will basically end the coexistence of the new and old structures, with the new structure gradually dominating between 1988 and 1995.

To realize this goal, the foci of China's medium-term reform are as follows: to gradually set up a new-type enterprise system; to make enterprises of ownership by the whole people open in management to turn them into commodity producers and managers characterized by taking the initiative in management and assuming sole responsibility for their profits or losses through the implementation of contracted responsibilities, lease, and merger; to continue the pursuit of the price reform to gradually achieve the formation of prices by the market for the majority of commodities and labor services, and to set up a rational price formation mechanism as well as a price control system in line with the law governing the economy and commodity economy; to continuously complete and perfect the market system, which chiefly includes: the consumer's goods market, the production materials market, the monetary market, the foreign exchange regulating market, the real estate market, the labor service market, and the technology and information market; to set up a complete and perfect macrocontrol system, with the government realizing the separation of its economic functions and the functions of properties owner, so that the macroeconomic control may change from direct intervention with the enterprise to market turning in the main; to gradually set up a multiple ownership structure including the public ownership, the private sector of the economy, and monopoly investments by foreign businessmen; to reform the wage system, with the income of workers and staff determined by the enterprise on its own, while gradually setting up the salary system for civil servants, in addition to a certain size of labor reserve with a corresponding security system established; to deepen the rural reform; to gradually establish the land ownership system as well as the system of contracted responsibility with the land and the system of land-use right transfer with compensation; and to develop the joint-stock economy in the rural areas.

Relevant personality pointed out that, the above-mentioned foci of the reform are determined after voluminous research and demonstrations. This is a huge and systematic reform engineering project of the reform. Its purpose is to promote the shaping of new mechanisms of the enterprise, market competition, price, and macro-control, and all this will eventually evolve into a new economic structure. Therefore, beginning with 1989, some corresponding plans for reform will be introduced meticulously and step by step.

**Symposium Discusses Theories of Economic Reform**  
*HK3110082188 Shanghai SHIJIE JINGJI DAOBAO*  
*in Chinese 17 Oct 88 p 11*

[Speech by Jiang Y Wei (5592 0001 5517) at "Symposium on Theories Concerning Reform of the Economic Structure": "Is Economic Reform 'Capitalist' or 'Socialist'?"

[Text] Economic restructuring is a tide sweeping across socialist countries. But in theory a question remains: Is economic reform "capitalist" or "socialist"?

It is in an effort to answer this question that we advance a "theory on democracy in economy," in which we put forward the following viewpoints:

—The formula of the socialist economic system is socialist commodity economy. Socialist and capitalist commodity economies have common and different characters.

—Like other modes of motion, the mode of motion for the economy is the unity of matter and motion. Therefore, we should analyze the mode of economic motion from two aspects: its operation mechanism and the carrier for its operation, namely, its organizational structures or its organizational formulas.

—As far as its operation mechanism, such as the law of value, the law of supply and demand, the competition mechanism, and so on, is concerned, the commodity economy does not belong to any social system, that is, neither is it socialist nor capitalist.

—For the operation carrier of commodity economy, however, we can and should ascertain whether it is socialist or capitalist. The organizational forms of economic organizations, which function as operation carriers, may be the same, but the contents of economic organizations, especially the relations of production, may and should be different.

—The basic difference between economic organs of the socialist commodity, ranging from their forms (enterprises) to their horizontal economic works and vertical management systems, and the capitalist commodity, lies in our practising socialist democracy in our economic activities. Specifically, the difference is manifested in exercising democracy in managing our economies of enterprises, trades, cities, and the whole country.

—A socialist society with a high degree of democracy should be based on democracy in economy, and so are socialist political democracy, socialist social democracy, and so on.

If the above viewpoints hold water, we can sort out the problems that are in a tangle at present, and provide a reply to the question of whether our reform is socialist or capitalist?

We cannot tell one from another, that is, socialist or capitalist, with respect to the operation mechanism of the commodity economy, therefore we can make adequate use of the rules for the operation which are observed internationally. In this regard, there is no problems such as taking a capitalist road, or bourgeois liberalization.

Operation mechanism and operation rules are something neutral or of general character. If you refuse to agree to this, it is impossible for us to enter the international market. If you obstinately try to create a difference in this regard, you are bound to make "Left" mistakes.

Socialist and capitalist operation carriers and economic organizations may be identical to any degree with regard to their organizational forms. Take the shareholding system for example. It is an organizational form of the property right, and it can be used by socialist countries as well as capitalist countries. It is something neutral and of general character.

There must be a difference between socialist and capitalist commodity economies where the contents of the operation carriers and economic organizations, namely the relations of production, are concerned. Otherwise, it makes no sense for us to precede our commodity economy with the adjective—socialist. At the 13th CPC National Congress, it was made clear that the essential difference between the socialist and capitalist commodity economies lies in the form of ownership on which they are based. Ownership is related to the organizational structure rather than operation mechanism. The difference lies in carriers. China is now in the initial stage of socialism. We have different types of ownership, and even allow the private sector to exist and develop. But the public ownership will remain predominant, or ours cannot be called a socialist country. Ignoring the difference in the organizational structures of the two commodity economies will only lead to "Right" mistakes.

At present there are three ideas in society: Some people, loyal and devoted to the party and socialist undertakings as they are, worry about the current reform leading to capitalism. They do not understand that while the socialist and capitalist commodity economies are identical in some ways, they are different in others. They tend to take the identical operation mechanisms and organizational forms for capitalism, and come out against it. Some indiscriminately copy everything capitalist, and think that it is not without its merits if we end up with capitalism. Those are diametrically different ideas. Others believe that we should distinguish things identical from things different, and stick to the distinction. Though their viewpoints are correct, they are attacked front and rear. Those with ossified thinking consider them worshippers of things foreign, and those advocating Westernization consider them conservative. Therefore, we believe that by decomposing commodity economy into two parts—operation mechanism and organizational structure, and making clear that the former is a neutral component applicable in socialist and capitalist countries, while the latter is a component with its social characteristics, we can learn without scruple from capitalist societies with developed commodity economies, and at the same time we should uphold socialist characteristics, bringing into play the superiority of the socialist system. Through combining the two

together, we shall create a commodity economy with a more sophisticated form, namely, a commodity economy with socialist characteristics.

To exercise socialist democracy in economic activities, we must move from bottom to top. First of all, we must see to it that democratic centralism should be applied in making management decisions in enterprises, so that the laboring masses including mental and manual workers play a major role in socialist public-owned enterprises, giving full play of their enthusiasm, initiative, and creativeness. For all that the "resolutions" adopted at the 3d Plenary Session of the CPC's 12th Central Committee pointed out this point emphatically, some policies and systems introduced in the last few years including the system of overall leadership by the factory director, the labor contract system, the individual contract system, the individual lease system, and so on, neglect this basic problem. The staff and workers of state-run enterprises more and more become employees of the government, and the hired hand mentality is strengthened rather than weakened. This is the basic reason for the low economic returns of the enterprises. There are two different views on and countermeasures for this phenomenon: Many people blame the poor quality and low political consciousness on the part of the staff and workers for poor economic returns, attempting to implement a stick-and-carrot policy to heighten the masses' enthusiasm for production; while we, who are advocates of democracy in the economy, hold that the main reason is that we failed to make the laboring masses masters of the enterprise so that they did not share the lot of the enterprise. Under the present ideological conditions in society, we are the minority as far as our position is concerned. But history may prove that the truth is not necessarily in the hands of the majority. What is worrying us is that if we do not face this basic problem squarely, will we prevent the crisis similar to that Poland is saddled with?

I am not a person who has no supporters. Some maintain that in the study of the reform we pay more attention to the organizational structure, calling us the "structure school," while some refer to us as the "democracy in economy school." It has been 10 years since we introduced the reform, and we are in need of a systematic theory. It is a good thing we have different schools who are unique in their systems. We uphold that we should exercise democracy in making decisions relating to economic affairs, but ours is not a systematic theory. So we still can not be considered as a school of thought. At this seminar on theories concerning reform marking the 3d Plenary Session of the CPC's 11th Central Committee, I put forward the superficial "theory on democracy in economy" with the aim of throwing a brick to get a gem in return. If we can attract more people to join us in discussing the problems, probably we can finally form a socialist democracy-in-economy school worthy of the name.

**Centralization, Decentralization of Power Viewed**  
**HK011101588 Hong Kong ZHONGGUO TONGXUN**  
**SHE in Chinese 0936 GMT 25 Oct 88**

[Article by Shi Fu (4258 1133): "Centralization and Decentralization of Powers"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 25 Oct (ZHONGGUO TONGXUN SHE)—In the voice of "improving the economic environment and rectifying the economic order," the CPC authorities have emphasized time and again that it is necessary to strengthen party leadership and the whole party must obey the central authorities and uphold the authority of the central government (the State Council). In his congratulatory speech at the National Congress of the Chinese trade unions a few days ago, Zhao Ziyang said: "As our country is now in a period when the old system is changing to the new system, the self-restraining mechanisms of enterprises, localities, and departments have not yet been really set up. In this situation, the state macroeconomic regulation and control [hongguan tiaokong 1347 6034 6148 2235] of the economic life must be strengthened and further improved and all kinds of direct regulation and control measures [zhijie tiaokong shouduan 4160 2234 6148 2235 2087 3008], including administrative measures, cannot be given up too early."

Various indications show that the Chinese authorities are centralizing powers and adopting administrative measures to carry out macroeconomic regulation and control of economic life. Some powers which have been delegated to the lower levels are taken back by the central authorities again.

Which powers belong to the central authorities and are controlled by the high levels?

The first one is prices. Some time ago, a meeting on strengthening price control was held and 10 urgent measures were worked out. It is provided that the prices of food which is of great importance to the masses' livelihood, articles for daily use, and means of production will be controlled by the Central Authorities; petroleum, copper, lead, and rolled steel in short supply will be monopolized by the state; and the price management power will no longer be continuously delegated to the lower levels next year.

The second one is finance. It has been expressly provided that from 1 October, all kinds of trust and investment organs at all levels throughout the country must stop issuing trust loans or investments and cease short-term loans of capital at a daily interest rate. Banks and the other financial organs shall not issue loans to the projects outside the state plan, nonproductive construction projects, and the other relevant projects.

The third one is foreign exchange. It is necessary to further step up the management of the local imports and to strictly control the import of the high-grade consumer

goods (such as foreign wine and spirits, pop top can beverages, and so on) so as to avoid wasting foreign exchange and disrupting the market.

The fourth one is taxes. A unified law of taxes must be stressed throughout the country, the power over taxes cannot be decentralized, waivered in the slightest, and accommodated to circumstances, and no regions, departments, and individuals have the right to change or revise the law of the state taxes; all places must be prohibited from indiscriminately dishing up local policies and reducing and remitting taxes.

The powers to straighten out and consolidate nationwide companies, curtail the scope of capital construction projects, consolidate the market, prohibit the resale of materials in short supply, and not to allow cadres and retired cadres to engage in commerce belong to the central authorities and localities and departments shall not alter or accommodate them to circumstances at will.

No doubt, it will play an important part in overcoming the slack law, chaotic market, and soaring prices caused by the malpractices of each doing things in his own way and competing with each other that China strengthens its central power, unifies its policies, laws, and decrees under the current circumstances. If all this can be seriously carried out, it is believed that China's economic development will be more steady and economic reform will be further deepened.

Of course, it is unimaginable for the central authorities of a large country with a population of over 1 billion to overcentralize powers and to have the final say in everything. Past experience and lessons show: "The notion of being larger in size, having a higher degree of public ownership, and handling everything in a unified way" is a serious obstacle to China's economic development and social prosperity. Regarding those which we "take back" today, we can only take back what should be taken back but should not monopolize them; regarding those which "should be unified", we can only unify the laws, decrees, and policies. In the long run, only by delegating power to the lower levels and emphasizing enterprises' decisionmaking power can China do a good job of and invigorate its economy.

**JINGJI GUANLI on Price, Other Reforms**  
**HK2910053088 Beijing JINGJI GUANLI in Chinese**  
**No 8, 1988 pp 47-51**

[Article by Lu Fuxin [0712 4395 2450] edited by responsible editor Lin Daojun [2651 6670 0689]: "Price Reform Must Be Accompanied by a Comprehensive Reform"]

[Text] China did not start the current price reform at the most opportune moment. However, taking certain risks, taking positive action to promote price reform, and creating a new order for our commodity economy despite the difficulties and contradictions concerning the

intensified economic structural reform and uniform economic development, are bold and correct choices. As we promote price reform under these unfavorable conditions and environment we should take price reform as the central and focal point to carry out a comprehensive reform and put things in order.

I.

Over the years China neither carried out any large-scale price reform nor introduced any plan for comprehensive reform. However, price levels have been on the increase. During the last 3 years the average annual growth rate in overall retail price levels in the market was over 7 percent, higher than the average annual interest rates during the same period. This was because China's economic reform and economic construction faced a series of contradictions and difficulties relating to the pricing problem.

1. Reform of the enterprise operation method, which focused on the contract system, was carried out under the circumstances whereby pricing relationships were muddled and the system was irrational. The work was therefore limited in many aspects. On the one hand the state imposed rigid control over pricing so that enterprises which did not have decisionmaking power to set prices, or did not gain any benefit from pricing, were reluctant to carry out price reform. On the other hand, enterprises undertaking contracts often pushed up the price of products in various ways in order to boost their revenue. Therefore, the irrational pricing system not only limited and undermined the functions of contract operation on production development and the improvement of economic results, but also exaggerated the negative effects and results caused by the practice of concluding contracts.

2. Under the current pricing system the financial structural reform, which included the substitution of profit delivery by taxes and the conclusion of financial contracts, developed some new contradictions. First, the relative value of financial revenue dropped because of inflation; second, enterprises increased their net income by increasing prices, and this became a source for increasing the benefits and income of workers through erroneous means; third, the income differences among enterprises, and among workers in an enterprise, was widened because of the irrational prices; fourth, local governments supported or even encouraged enterprises to hike prices in order to achieve their own ends, thereby widening the local income difference plainly caused by the pricing factor. Moreover, the irrational pricing system added more financial expense and burden to localities and intensified the imbalance between state fiscal revenue and expenditure. This undermined the capability of and support for reforms, including the price reform, carried out by the state.

3. Under the old pricing relationship and system the planning structural reform made slow progress or even went in the wrong direction. The mandatory plans for some products were replaced by guidance plans, and contracts were concluded for the purchase of goods like agricultural products. However, because of pricing and other reasons the planning target was never accomplished. In fact we returned to the former step of centralized distribution and purchase. Such poor planning structural reform results intensified the conflict between planning and the market, so that planning work was softened while that of the market was hardened, causing various kinds of cohesive effects and negative results. The planned targets were either unaccomplished or modified. Products that were subject to planned distribution were put onto the market through various channels, creating irrational revenue relations. As the market price is highly flexible, the price of goods in great demand soared.

4. Under the ossified and confused pricing system commodity circulation was irrational, circulation links increased in number, the circulation channel was in a chaotic state, and relevant expenses were increased. As a result the portion of revenue derived from circulation was more than that derived from production. This restricted and undermined production and promoted one-sided and uneven circulation development. It was a rather common phenomenon that "commodities travelled like tourists and prices grew like a snowball." Consequently the final selling price of some products was up to twice their ex-factory price.

5. Because of the irrational pricing system some localities and enterprises vied with each other to export primary products that were cheap and in short supply in China's market. This further cut supplies of these products and intensified the supply-demand contradiction, and developed confusion in China's market and pricing. Consequently the price of some products rose and fell sharply, seriously affecting and undermining production. Because production and supply of the final products, particularly high-class durable consumer goods, carried a high price and yielded huge profits, many localities and enterprises repeatedly purchased foreign technology and imported products. This increased foreign exchange expenditure and generated and expanded trade deficits, which created further impact on China's production and market.

6. Because products in short supply carried a low price, any production of these products brought little or no profit, or even losses, to the producer. In order to maintain and expand their production these enterprises could only ask for huge loans from the banks. Likewise, enterprises producing products that carried a high price in the market and yielded huge profits also asked the banks for loans for capital investment and to expand their production scale. Under these circumstances financial institutes could increase their profits and the wages of their staff through expanding their credit business

without really undertaking any liabilities. Therefore they, either voluntarily or through force (by government departments and such enterprises), granted more loans, thereby causing credit inflation and serious inventory dislocation.

7. The price of products in "bottle-neck" industries and those in short supply was so low that the motivation for development was insufficient. The growth rate in the supply of such products was slow; whereas the prices of products in abundant supply was so high that they attracted the production and supply of them. As the aggregate supply and demand of society is restricted by products in "bottle-neck" industries and those in short supply, an industry structure dislocation not only pushes aggregate supply to a low level but also reduces the chances of accomplishing effective supply. That is, to transfer part of the effective supply in the previous period into noneffective supply in the current period, thereby intensifying the contradiction that the aggregate supply of society was smaller than its aggregate demand; and a vicious cycle hence developed.

8. Under the artificial, rigid, and irrational pricing relations, the amount of profits earned by an enterprise depended neither on the advancement of technology nor on improvements in labor productivity. To put it in a nutshell, the economic factors stimulating technological advancement and labor productivity were greatly weakened by the irrational pricing relations. Enterprises that carried out transformation or adopted new technology gained little benefit, or even suffered losses. However, any enterprise that boosted its revenue by increasing the price often obtained a favorable result. Obviously China's slow progress in recent years in promoting technological advancement and labor productivity among enterprises, or even a drop in labor productivity and economic results, was closely related to the irrationality of our pricing system.

9. Under the reform conditions of decentralizing decisionmaking power and allowing profit-making, the restricted and low prices of major agricultural products and products for basic industries and transportation, and the open and high prices of products in manufacturing industries and commercial services, encouraged rapid development and expansion of the processing industry, particularly the township and town industry, so that the proportion of commerce and service industry was increased, while the development of agriculture, basic industries, and transportation was relatively much more backward. As their production and capacity scale did not conform to those of manufacturing industry, the structure of industries in the national economy was further tilted and serious dislocation phenomena developed. These imposed inflexible restrictions on the in-depth development of economic reform and constant economic development.

10. The key to the current irrational pricing rests with irrationalities in our management system. The prices of many products which should not be subject to price

control are under rigid and total control, and under a backward and conservative management marked by blind actions. This kind of management has yielded no positive, significant, or beneficial results, and has developed negative consequences. This has further distorted and confused pricing relations and made prices conflict with each other, thereby creating serious conflicts and confrontation. This did not help the formation of a competitive relationship and mechanism, made it difficult to readjust relations between supply and demand and production and consumption, and did not stabilize prices. To a certain extent this is even one of the factors in the price increases, because the low price of products subject to rigid control and in short supply unnaturally restrained any increase in the production and supply of these products, while unnaturally encouraging an increase in production and demand for them, thereby pushing their prices up. While we controlled the price of some products, the prices of other products that were not subject to price control were fuelled by huge market demand and soared. Moreover, it is impossible to maintain a low fixed price for products that have long been in short supply. The social effect [she hui xiao ying 4357 2585 2400 2019] was that a much greater force developed to push prices up, stimulated by any approval granted by the competent administrative departments and price administrative organs of the state on price increases.

## II.

In order to promote price reform there must be a series of conditions, yet to be created or incompletely created. However, we must not give up on price reform nor wait until the conditions are ripe. To carry out reforms without reforming pricing is non-beneficial as well as impractical. This is the predicament which our contradictions and difficulties cause. We must use it to plan today's reforms, which is the only way out.

To promote price reform is to take it as the focal point when carrying out reform of the economic system as a whole. This is the basic guiding ideology for promoting this reform, and the summary of our experience in and theories on economic reforms during the past decade. Price is the most comprehensive phenomenon in commodity economy relations, whereas the pricing mechanism is the focus and subject of operation in the commodity economy. Downright price reforms that are not associated with various economic structural reforms and the development of the commodity economy can never be smoothly carried out nor yield the hoped for results. The doubts about the phrase "the key to price reform rests with reform of the economic structure" merely reflect the relationship whereby price reform is restricted by other reforms. Other reforms cannot possibly achieve their anticipated goals without any price reform and its in-depth development. Instead, they will deform and distort economic relations and obstruct the formation of

a new order and an operation mechanism for the commodity economy. Therefore, since the economic structural reform has reached the stage of taking establishment of the new order and the formation of an operation mechanism for the commodity economy as the main tasks, we must take price reform as the focal point and carry out various specific reforms by focusing on and serving the formation of a state-controlled market pricing system.

Generally speaking, the immediate contents and specific ways of thinking about promotion of price reform are as follows:

First, price reform should take the opening up of pricing as the major content, backed by the integration of readjustment and opening up, and mutual support between opening up and cultivation. Taking "opening up" as the major content not only reflects the nature of pricing and basically meets the requirement of a market pricing system and its operation mechanism, but also voluntarily maintains and readjusts prices amid changes in all the complicated relations of price parity. This means taking "opening up" as a means for exploration and the major task and guidance. The so-called integration of readjustment and opening up refers mainly to readjustment of prices in the light of the opening up situation and changes in prices, in addition to the general meaning of readjustment and opening up. Hence, there will be appropriate time and space gaps between "readjustment" and "opening up"—"readjustment" will be carried out after predictions, judgements, and selections have been made in the wake of fluctuations in prices being opened up within a specific time-space gap, so that the scale and extent of "readjustment" can be determined. This not only puts certain constraints on "opening up" but also relatively stabilizes the overall price level and its general movement. The so-called mutual support between opening up and cultivation refers to the mutual support of opening up prices and that of cultivating a market pricing mechanism. There is a time gap between opening up prices and market price, and the formation of its genuine operation mechanism, so that we must take the cultivation of a market pricing mechanism as a supplement in order to accomplish the goal. However, such cultivation must take opening up prices as its precondition.

Second, when promoting price reform we must take the functional transformation of price control organizations as the breakthrough point. No matter whether it is opening up, readjustment, or cultivation, we must take the functional transformation of price control organizations as the precondition. In addition, these constitute both the substance and form of the functional transformation of price control organizations. If we unify opening up, readjustment, and cultivation, we depend more on the functional transformation of price control organizations. The main function of price control organizations in conforming to the requirements of price reform is to: Thoroughly understand and keep abreast of the

whole economic and pricing situation; formulate pricing policy; initiate information consultation and services; carry out macrocontrol and comprehensive readjustment; conduct necessary inspection and supervision over matters in enterprises and business units regarding costs, pricing, and so on. Obviously, pricing here means pricing in the broad sense. That is, taking the price of goods, including interest rates and wages, as the focal point and subject. Thus, we can see that organizations and institutions undertaking corresponding functions should have a high-level comprehensive price control committee. It should be headed by government leaders in charge of economic affairs, should take the current government's price bureaux as the subject, and should include such organizations and systems as planning, financial, banking, and various functional government departments.

Third, improving the "double-track system" of pricing is the key to promoting price reform. The "double-track system" currently occupies the dominant position in China's situation and relations about pricing. The basic industries adopt the "dual system" of pricing as do the prices in major agricultural products, and even some industrial consumer goods adopt the same pattern of pricing. Of course there are reasons and grounds for, and advantages in, adopting such a "dual system." In order to promote price reform we must perfect, improve, and reform the "dual system." For this reason we may employ the following methods: First, we should distinguish the relations between planning and market and their prices, fix our plans, and keep the two circulation channels clear so that commodities subject to planned pricing will circulate in a channel different from that for commodities subject to market pricing. Therefore, the form of means of production among enterprises will correspond to the form of pricing of products. Second, we should adopt the "Shijiazhuang mode," that is, the combination of circulating commodities subject to planned pricing with that of commodities subject to market pricing. Any difference between the two prices is compensated for in the form of a particular ratio. Third, we should gradually reduce the scale of, and eventually abolish, planned pricing, while expanding and eventually implementing the unitary form of market pricing. Fourth, we should change dual pricing into a new form—that is, with the first form as the basis, and by making our plans market-oriented [ji hua shi chang hua 6060 0439 1579 1034 0553]. In other words, through the state's planned distribution of the means of production and those products the procurement of which is monopolized by the state, to switch to stable economic and technological cooperation between various major enterprises under different departments and in different industries; to let the state regulate and control [tiao kong 6148 2235] the final prices of products and to let the enterprises fix the prices of other means of production, and the prices of other products through consultation, thus forming a planned-market price bond.

Fourth, to reform agricultural product prices is the first step in promoting price reform. This is not only because

prices of agricultural products are the basis for the whole pricing system, but also because prices of major agricultural products have been so low that serious and hazardous adverse effects have developed. In addition, problems concerning agricultural product prices are obvious, their solutions are clear, and they are closely related to wage reform. Taking China's land resources, technological level, and availability of funds into consideration, and the condition that social demand for agricultural products as a whole is far greater than the actual supply, to completely open up agricultural product prices will not only cause prices to soar excessively but will also cause many problems. Furthermore, the elasticity of supply in agricultural products is so small that an increase in price will not instantly increase the production and supply of agricultural products. Therefore, the major methods and measures for reforming agricultural product prices are: 1) Sharply increase the purchase price of such major agricultural products as kaoliang, cotton, oil, and sugar by taking the current market price into consideration; 2) Impose a native product tax on other agricultural and sideline products carrying a high price in order to support the price increase in major agricultural products; 3) In accordance with the situation, impose hefty taxes on the business of township and town enterprises, and on individual households undertaking industrial and commercial business, to support agriculture. When increasing the purchase price of major agricultural products we should also increase their selling price, narrow the gap between the high purchase price and low selling price, and cut the amount of price allowances.

Fifth, reform of the wage system is a necessary step in promoting price reform. There has recently been a sharp increase in the cost of living, particularly in food and vegetables, so that more than 20 percent of the urban population have had their living standards lowered. People have become more vulnerable to price increases. Particularly government cadres, intellectuals, retired workers, and other people who have no income except their fixed wages are very worried and feel discontented about price increases. Undoubtedly this is a major social factor limiting our price reform. In the wake of price reform, we must correspondingly reform our wage system. First, we must change our unified wage system, practice different wage systems for enterprises on the one hand, and party and government organs, schools, and institutions on the other, and also different wage systems for different regions, to sever the comparison links between wages and income. Second, we should link the composition of wages and the price level. That is, some 60 to 80 percent (subject to the wage level) of wages should be taken as the basic living expenses and linked to the price index for major means of livelihood and consumer goods, so that it will rise in the wake of price increases. Regarding wage increases to improve actual living standards, we should act in accordance with the economic development and the growth in national income. Third, we should establish a system for declaring personal income and property and levy individual

income tax to reduce irrational income differences as much as possible. Fourth, we should establish a social welfare and relief fund to help low-income and poor residents.

Sixth, price reform of basic industrial goods and transportation is the key link to promoting price reform. Reform of basic industrial goods may be carried out in three different ways in accordance with the situation in supply-demand relations, natural resources, technological conditions, and production capacity. First, we can try to balance demand and supply, or try to make things generally balanced. An alternative is to lift as soon as possible the restrictions on prices of products of which we have enough natural reserves of which we are potentially very capable of producing, like nonferrous metals and coal. Second, we should adopt different approaches to improve the "two-tier system" of pricing. Third, we should increase in varying degrees the prices of different basic industrial goods. Generally, transportation costs should be sharply increased instead of expanding the "double-track system" of pricing and completely opening them up. In the wake of opening up and a sharp increase in the price of basic industrial goods and transportation, the price of manufactured goods should also be increased. We should completely open up the final price of industrial goods. On the basis of opening up we should levy a heavy tax on finished industrial goods and lower the profit margin of enterprises to check any excessive price rises and blind acts of production expansion. At the same time, after opening up the price, we should allow relevant loss-incurring enterprises to go bankrupt, switch production, or to be merged.

Seventh, to rationalize and coordinate price parity between production and sales, and to reform the system of service charges, are major contents of price reform. China's current production and selling prices are very irrational, where the selling price is much higher than the production price. An approach in reforming this would be to readjust and determine the production price in accordance with the final selling price, so that there is a constant price parity between the production and final selling prices. This is favorable to commercial development and helps check and reduce the circulation links. It readjusts the flow of commodities, thereby forming a rational circulation network. We should then readjust and determine tax rates in accordance with the difference between the production price and the production cost. At this stage we should prevent enterprises from taking monopoly action or controlling the price for the sake of their own interests (in the form of other kinds of compensation). At the same time we should consolidate the chaotic state of service charges, determine the principles of levying such charges, and implement effective supervision, readjustment, and control.

Eighth, trade costs and price control are important methods of promoting price reform. Thousands of enterprises and business units adopt different approaches in calculating their production costs and prices. Under the law of

value however, there should be a general level and standard in society for judging the production costs and prices of the same products and business undertaken by different enterprises. The implementation of trade costs and price control will reflect this law, and is favorable in promoting competition, encouraging the advanced, spurring on the backward, and cutting prices. The specific contents of trade costs and prices control are: 1) To cultivate, and supervise the costs and pricing of, advanced enterprises in order to encourage them to develop rational pricing; and 2) To determine a rational tax rate on the basis of production costs and pricing in advanced, or rather advanced, enterprises in order to readjust the tax rates levied and prices for the same trade.

Ninth, to readjust and reform regional pricing relations is an important part of promoting price reform. China's industrial distribution is simple and uniform, though its regional economic development is very uneven and its regional resources and economic advantages vary greatly. In the light of this situation we must adopt different pricing policies toward different regions, and form particular regional differences. The state should conduct the necessary regulation and control to keep the different price policies adopted in different regions in harmony with their different industrial policies and, by using price reform to pilot other things, give impetus to readjustment of the production setup and establish and develop the most suitable industries in various parts of the country. This will promote a nationwide readjustment and optimization of the industrial structure and form and develop nationwide unified pricing relations.

Tenth, to readjust the relations between domestic and international prices is an indispensable content of price reform. We must take international prices into consideration when carrying out price reform because the aims of price reform are to help China's products enter the international market, and to help China's economy join the international economic cycle and become a member of the world's economic community. Though international prices are mainly subject to the control and influence of the capitalist economy and fluctuate sharply, the general price levels and pricing relations still reflect the requirements of technological advancement and economic development, and this is basically rational. Therefore, it is undoubtedly true that we should take the international pricing system as a reference and narrow the gap between domestic and international prices, though our current price reform cannot directly duplicate changes in international prices. For some product prices however, we should take the international price as the control limit.

**Economists Discuss Rectifying, Improving Economy**  
**HK3110074988 Shanghai SHIJIE JINGJI DAOBAO**  
*in Chinese 17 Oct 88 pp 1, 11*

[Report from Beijing by Zhu Bing (2612 0393): "How To Rectify? How To Improve?—Qian Jiaju, Tong Dalin, Jing Shuping, Dong Fureng, Xiao Shuoji, and Others Analyze the Current Situation, Frankly Air Their Views, and Put Forward Their Suggestions"]

[Text] At a forum held recently in Beijing, this reporter heard some views and suggestions put forward by several Chinese economists of great renown on improving the

economic environment, rectifying economic order, and deepening the reforms in an all-around way.

Qian Jiaju pointed out: A task of top priority at present is to improve the economic environment and rectify economic order. In point of fact, this is a matter of readjustment. Priority must be given first to solving such problems as run-away inflation, the big volume of total investment, the overheating economy, dislocation of consumption, and bringing price relations into better balance.

Since the founding of the People's Republic, there have been repeated instances of dislocations in the national economy due to concentrating on speedy growth alone, recklessly driving development too quickly but ending up with low efficiency, and pursuing an undeserved reputation but finally meeting with disaster. Why has such a situation occurred time and time again? This is mainly because leaders of many localities looked only at production and construction, did not attach importance to the education or cultivation of talented people, and did not stress the building of spiritual civilization when they evaluated achievements. He proposed that the central and local leaders shift their energy from production and construction to the education of people and the building of spiritual civilization.

Tong Dalin noted: The major problems we now face are concentration on speed alone and lack of a scientific and democratic system for investment. Viewed from the amazing waste in production of township and village enterprises and the irrational structure of industries, we should realize that devoting exclusive attention to regional development strategy will not do. I suggest that when studying new strategy for industrial development, we must first pay attention to strategy for agricultural development in order to solve the problem of daily necessities and maintaining stability in peoples' lives.

In my opinion, an annual economic growth rate of 3-6 percent represents low speed, 6-9 percent medium speed, 9-12 percent high speed, and over 12 percent means extra-high speed. Leaders at various levels should give up their idea of concentrating on high speed alone.

At present, efforts must be made to carry out reform in an deep-going way, giving priority to the reform of the circulation system and the improvement of market order. As in a football match, common rules must be established for equal and legal competition. Only by doing this will it be possible to establish an order for the commodity economy. I believe that in the 1990's our opening up must rely on Hong Kong and reform on Shanghai. The present policy of tying up Shanghai to enliven the whole country should be replaced by a policy of enlivening Shanghai to spur on the whole country so that Shanghai will be able to go ahead boldly with the effort to introduce investment from abroad, establish lateral ties at home, and play a leading role in promoting foreign trade.

Our marked achievements scored in reform and opening up have been accompanied by the problem of an overheating economy. With decisionmaking power delegated to the lower level, an upsurge in economic construction has swept the country, with all localities vying with each other. For example, even some small cities in remote areas have also wanted to run auto factories. Such a blind rush in economic construction has resulted in a great amount of waste due to overlapping construction of many projects. Many factories have produced substandard products with high-quality raw materials, while some first-class factories have been unable to be supplied with sufficient raw materials and have been compelled to suspend operation or slash production. With regard to these problems, the central authorities are obliged to guide the local authorities to make readjustments through industrial policies. We must stress economic returns either in production and construction or in the field of circulation and stop economic activities with low economic results.

All contracts signed with enterprises run with foreign capital should be executed accordingly. There was blindness in many aspects of using foreign funds in the past. From now on we must guide foreign investment in some badly-needed aspects and make the setup of production more rational.

Dong Fureng pointed out: I think that we made mistakes this year when we understood and made policies on three issues. 1) This year the economy has been overheated but some people maintain that this is normal; 2) the problem of inflation was discovered in the first quarter of this year but some people insisted on saying that inflation had its positive side and failed to see its consequences; 3) some people were impatient to carry out price reform and this aggravated the tendency of panic buying among the people.

Inflation has ensued from two major factors: 1) Development and reform have not been well coordinated and undue prominence has been given to high growth rate. Over the past 10 years there have been several setbacks, but we have failed to understand these problems adequately or to make a thorough change in strategy, thus impeding the progress of deepening the reforms. Meanwhile, we have failed to keenly understand the protracted nature and complexity of the reforms and set objectives that were too high and too numerous. Our price reform is conditioned by our level of economic development. However, we have been impatient to link the two together, and consequently problems have become more and more serious. 2) We have failed to make the public ownership system compatible with the market mechanism. When delegating power to the lower level, we have not been clear about who should take over power. As state-owned enterprises have not been clear about their property rights, they have not been able to restrain themselves from making investments as they did under the old system. Meanwhile, because they have not been restricted by budgets, some economic levers have

not been able to work on them. The measures we have adopted are merely stopgap ones, therefore, the old illness is very likely to recur. For this reason, the reforms should be carried out in depth, and we must work out an economic strategy with the emphasis on economic results and make public ownership compatible with the market mechanism.

Xiao Zhuozi presented his views saying: I am prudently optimistic about the present economic situation. There is now a danger of restoring the old ways and slipping back into the old rut as far the structure is concerned. The only way out for us now is to persist in reform. Moreover, improving the economic environment and rectifying the economic order should be adhered to the orientation of reform.

There should be no rigid uniformity or any major ups and downs in lowering the temperature of the overheating economy, but there should be a soft landing in readjusting the production setup. No lowering of temperature is needed for the development of the badly-needed enterprises with high efficiency, advanced technology, or a great ability to earn foreign exchange.

**Ministry Adopts Policy To Encourage Enterprises**  
*OW3110050388 Beijing XINHUA Domestic Service  
in Chinese 0830 GMT 26 Oct 88*

[By reporter Yang Like]

[Text] Beijing, 26 Oct (XINHUA)—In order to strengthen macrosupervision and management over the quality of light industrial products, and to help enterprises genuinely implement the principle of "quality first," the Ministry of Light Industry, after summing up the experience and lesson from last year's "inferior products exhibition," has formulated the policy of "encouraging production of quality products and discouraging inferior ones." Light Industry Vice Minister Xiao Yongding announced the concrete measures to implement this policy today in Beijing.

The Ministry of Light Industry has already set up a leading group for quality which was under the direct leadership of Light Industry Minister Zeng Xianlin. The ministry also set up a Quality Standards Department which was fully empowered to take charge of supervision and management of the quality of all light industrial products and to independently assess product superiority or inferiority. As to the evaluation and grading of an enterprise, the Ministry of Light Industry's Quality Standards Department was also given veto power in the area of quality. The Ministry of Light Industry has also decided to reform the conventional evaluation method. It adopted the four international standards of A, B, C, and D grades (excellent, good, fair, and passable). The Quality Standards Department will grade light industrial products based on scientific data provided by a product

quality inspection center. The ministry will publish product quality communiques and "consumer guides," offering guidance to consumers in their selection and purchase of commodities.

Beginning next year the policy of "encouraging production of quality products and discouraging inferior ones" will be implemented in the area of production planning, allocation and supply of raw materials and other supporting materials. The refrigerator-manufacturing sector will initially implement this policy. Priority in the supply of raw materials, allocation of compressors, and arrangement of production tasks will be given to those enterprises which produce Grade A quality products, engage in mass production, offer good after-sale service, and use a high percentage of domestic-made parts. Enterprises receiving a B, C, or D rating will have their allocation of raw materials reduced proportionately in accordance with their quality rating. Production schedules will not be arranged for, and compressors will not be allocated to, enterprises whose quality rating falls below Grade D. It is hoped that these measures will make quality goods prevail, eliminate inferior ones, accelerate the quality indigenous products production process, further raise economic benefits, and effectively increase supply.

Xiao Yongding also announced that the light industrial sector will further promote international standardization. All products, particularly durable goods and food-stuffs, having international standards must adopt those standards. All export products must be produced according to international standards and standards set by importers. He also proposed stepping up the work of quality inspection and authentication organs. At present the light industrial sector has 46 state and ministerial-level quality inspection and authentication organs. On that basis we should try to get some of our good quality authentication organs international authentication as soon as possible.

**Ban on Import of Luxury Goods 'Effective'**  
*OW3110125688 Beijing XINHUA in English*  
*1146 GMT 31 Oct 88*

[Text] Beijing, October 31 (XINHUA)—A ban imposed 40 days ago on Chinese tourists to Hong Kong and Macao bringing back expensive household electric appliances has "proved very effective," according to customs officials.

Today's "ECONOMIC DAILY" said that the ban had been imposed to stop people reselling luxury consumer goods on the mainland.

Before the ban, about 500 luxury consumer goods were being brought into the Chinese Mainland every day. Officials believe many were resold at a profit. Since last Wednesday, no returning tourists have brought such goods with them, according to up-to-date customs statistics.

The new regulations have also restricted the quantity of cigarettes and spirits that can be brought into the mainland. Duty on imported cigarettes has also been raised.

**Rubber Industry Needs More State Support**  
*OW3110183488 Beijing XINHUA in English*  
*1246 GMT 31 Oct 88*

[Text] Beijing, October 31 (XINHUA)—The Chinese Government should extend substantial support to natural rubber production so as to achieve self-sufficiency in rubber supply by the end of this century, said a group of Chinese experts.

China's rubber plantations are facing serious difficulties. Every year, the production materials provided by the state to the plantations only account for 30 to 40 percent of what is needed. "GUANGMING DAILY" reported today.

A survey showed that due to shortage of chemical fertilizers, the country's annual rubber output is 40,000 to 50,000 tons below planned quota, costing the state more than 300 million yuan.

The unfair prices of natural rubber in China is another factor for the stagnation in rubber production. The present prices for natural rubber were set 26 years ago. The benefits from planting rubber are only about half of that from growing sugarcane. So many workers do not like to work on rubber plantations.

Stealing and robbing of natural rubber are rampant in rubber-growing areas. For instance, in the state-owned farms on Hainan Island, the dry rubber stolen and robbed each year accounts for 10 percent of the total output.

To enliven the production of rubber, the state should provide sufficient production materials, readjust the prices of natural rubber, strengthen law enforcement to ensure a normal production order in rubber-growing areas, the newspaper quoted experts as saying.

China's plantations produce over 240,000 tons of natural rubber each year.

Demands of rubber become larger and larger as the country's automobile industry has developed rapidly in recent years. The natural rubber consumed last year amounted to 510,000 tons, up 52 percent over that in 1980. By the year 2000, it is expected China will need 600,000 tons of natural rubber each year.

**33 Percent Decrease in Fuel Oil Consumption**  
*OW3110131788 Beijing XINHUA in English*  
*1130 GMT 31 Oct 88*

[Text] Beijing, October 31 (XINHUA)—China has cut its fuel oil consumption by 313 million barrels (45 million tons) since it began pursuing its coal-to-replace-oil policy in 1981, today's "ECONOMIC DAILY" reported.

The policy has enabled China to export 3.2 billion U.S. dollars worth of oil during that period.

A leader of the State Council, China's highest administrative body, recently urged the reduction of the country's fuel oil consumption by 70 million barrels in the next ten years.

According to the paper, China's fuel oil consumption has now been cut from a peak 280 million barrels in 1980 to the present 189 million barrels—an overall decrease of 33 percent.

**Huang He Bridge Linking Energy Bases Completed**  
*OW2910023988 Beijing XINHUA in English*  
*1610 GMT 27 Oct 88*

[Text] Yinchuan, October 27 (XINHUA)—A highway bridge, the 48th on the Yellow River, linking two energy bases of the northwest Ningxia Autonomous Region and the Inner Mongolia Autonomous Region on the upper reaches of the Yellow River was completed and open to traffic yesterday.

The Shizuishan Yellow River Highway Bridge is an important project on the 109 Highway linking Beijing and Lhasa, capital of the Tibetan Autonomous Region.

The highway bridge is 551.28 meters long and 12 meters wide. It is significant to the development of the two regions' coal resources, the energy-consuming industry, and the prosperity of the economy in these areas inhabited by minority nationalities.

**Forum Views Monopolized Agricultural Supplies**

**Hu Ping on Means of Production**  
*OW3010224988 Beijing Television Service*  
*in Mandarin 1100 GMT 25 Oct 88*

[Text] A national work meeting on monopolized supply of chemical fertilizers, pesticides, and plastic film for agricultural use took place in Beijing yesterday [24 October]. With regard to the monopolized supply of means of agricultural production, our reporter had an interview with Minister of Commerce Hu Ping.

[Hu Ping] I think the general situation of supply of means of agricultural production is very good. This is because of the following reasons: First, our industrial

departments show a good trend toward developing production. Second, our supply and marketing departments have a very large stock of means of agricultural production, the stock being over 60 percent more than last year. Third, the present market prices of means of agricultural production are stable with some degree of drop.

[Reporter] As far as the Ministry of Commerce is concerned, what should be done to make a success of the supply of means of agricultural production?

[Hu Ping] The State Council has decided to establish a monopoly on chemical fertilizers, pesticides, and plastic film for agricultural use. This is an important policy decision, which gives a heavy task to our commercial departments, including supply and marketing cooperatives. We feel that our responsibility is heavy. Now, the first thing is to make a success of the present meeting so that all comrades will fully understand and resolutely implement the guidelines set by the party Central Committee and the State Council. At the same time, we will work out some concrete measures based on the decision.

The key question is the implementation of a comprehensive price system [as heard]. The peasants are deeply concerned about this. Some provinces, like Sichuan and Jilin, have done pretty well in this regard. By popularizing their experience, we will alleviate the peasants' anxiety. But the basic question, I think, concerns our supply and marketing cooperatives and our companies handling means of production. They have 350,000 staff members and workers. If they uphold the idea of serving their peasant brothers wholeheartedly, the work will surely be carried out successfully.

**Li Deshen Says Supply Improving**  
*OW3110013688 Beijing XINHUA Domestic Service*  
*in Chinese 1519 GMT 25 Oct 88*

[By reporter Chen Yun]

[Text] Beijing, 25 Oct (XINHUA)—Li Deshen, president of the China Agricultural Production Means Corporation, today revealed to this reporter that the country's supply of agricultural production means during the first 9 months of this year was better than last year. The volume of sales increased. Stocks were replenished. The strained supply and demand situation was somewhat alleviated with fewer instances of panic buying. But prices were still on the rise.

According to this corporation president, agricultural production means retail sales amounted to 33.47 billion yuan from January to September this year. This was 29.3 percent more than the same period last year. Of the agricultural production means, chemical fertilizer and agricultural plastic film sales exceeded last year's corresponding period by 7.4 and 16 percent respectively. Only pesticides showed a 4.3 percent drop in sales. Moreover, the central government's annual chemical fertilizers linked to grain production allocation plan was fulfilled

by 74.1 percent during these 9 months. From the reports so far received, it is expected that all chemical fertilizers linked to grain production can be supplied to the peasants as promised before the end of the current grain year. This year has witnessed frequent natural disasters, and there has been an acute shortage of pesticides. Yet, because of the reasonable adjustment and distribution of the pesticides supply, there has been no big drop in crop output attributable to plant diseases or insect pests.

Li Deshen said: What is gratifying is that an increase was noted in the procurement of chemical fertilizers, agricultural plastic film, and pesticides during the first 9 months of this year. In particular, the procurement of agricultural plastic film rose as much as 67.3 percent. Generally speaking, supply was better than last year, and stocks were replenished.

He said that at present the striking problems, or relatively serious complaints from the peasants, are: the disorderly market, soaring prices, and numerous counterfeit fertilizers and pesticides. In particular, Li Deshen analyzed chemical fertilizer prices. He said: Roughly, there are three different categories of chemical fertilizer prices. One is state-distributed, low-priced chemical fertilizers; and locally produced and used chemical fertilizers. They accounted for 64.2 percent of the total supply. The prices of these fertilizers are relatively stable, and the peasants are rather pleased with these prices. The second category covers chemical fertilizer supplied between provinces for the purpose of using one's surplus to make up another's deficiency. These fertilizers account for about 20 percent of the total supply. Their prices are comparatively high. The peasants have some complaints about the prices, but can reluctantly accept them. The third category is the negotiated-price chemical fertilizers handled by numerous organizations. These chemical fertilizers, which account for about 15.1 percent of the total supply, have drawn the most bitter complaints from the peasants. As a result, government-peasant relations have been adversely affected.

He said: Central and local governments have paid a great deal of attention to the problem existing in the agricultural production means market. Fifteen provinces, autonomous regions, and municipalities, including Sichuan and Jilin, have now taken measures to put the supply of chemical fertilizers, agricultural plastic film, and pesticides under monopolized management in an effort to stabilize the market, suppress soaring prices, and protect the peasants' interests. At present, the minister of commerce is making plans to implement the State Council's "Decision To Put Chemical Fertilizer, Pesticides, and Agricultural Plastic Film Under Monopolized Management." It is expected that measures will be worked out to rectify market order and ban unjustifiable price hikes of agricultural production means.

Tian Jiyun Attends Forum 28 Oct  
OW3010225288 Beijing XINHUA Domestic Service  
in Chinese 1512 GMT 28 Oct 88

[By reporters Chen Yun and Yao Guang]

[Text] Beijing, 28 Oct (XINHUA)—Vice Premier Tian Jiyun listened to reports at a national meeting on monopoly of chemical fertilizers, insecticides and plastic films for agricultural use. He said during the meeting: The monopoly of chemical fertilizers, insecticides and plastic films for agricultural use is for the purpose of stabilizing their prices, establishing a normal commodity circulation order, protecting the peasants' interests, and stabilizing and developing agricultural production. All localities must seriously run the monopoly well because it is an important measure to rectify economic order.

Tian Jiyun said that an important criterion for assessing the results of the monopoly is to see whether the peasants benefit or are hurt. He said: In the past, the peasants got hurt because these agricultural supplies were handled and sold by many agencies through many intermediate links with prices increased after each transaction, and some of them were repeatedly resold for high profits. The monopoly is designed to solve these problems. The monopoly will discontinue in the future when a balance is achieved between the supply and demand of these agricultural supplies. However, the conditions for discontinuing the monopoly will not be ripe in the next few years. If the prices are completely decontrolled, neither the state nor the peasants can endure them. For this reason, it is very necessary to adopt monopoly as an interim measure. We should persist in the monopoly and solve whatever problem we encounter in connection with the monopoly.

On the question of prices which both the peasants and the dealers are concerned about, Tian Jiyun said: The situation shows that the sharply rising trend of the prices of chemical fertilizers, plastic films and insecticides will change. We should be more open with respect to price questions and clearly explain these questions to the peasants. He said: The monopoly is not designed to let the supply and marketing cooperatives arrogate power or make huge profits. The supply and marketing cooperatives should assume a correct business attitude and serve the peasants, instead of taking advantage of them. Of course, it won't do to lose money in business, but the profit must be small. We must reduce intermediate links, save expenses and set rational prices.

On the shortage of funds for stocking up agricultural supplies during the winter season, Tian Jiyun said: We should conscientiously do a good job in stocking up agricultural supplies during the winter season, and guarantee the availability of funds for this job, just as we do to the funds for buying agricultural and sideline products.

Tian Jiyun said: The supply and marketing cooperatives have a total of 4.3 million workers and staff members, of whom 530,000 are dealing with agricultural supplies. This is a vast contingent and we should do a good job in training the monopoly personnel. The monopoly is an arduous task, during which we must strengthen a sense of discipline and should never take advantage of our power to seek private gains in violation of law and discipline. Tian Jiyun pointed out: To run the monopoly well is not the job of the supply and marketing cooperatives alone. Governments at all levels should strengthen their leadership and the departments concerned should cooperate closely with each other to run the monopoly well together.

**Autumn-Winter Planting Statistics Reported**  
*OW2910111888 Beijing XINHUA Domestic Service  
in Chinese 0848 GMT 26 Oct 88*

[Excerpts] Beijing, 26 Oct (XINHUA)—Autumn and winter planting is taking place in various parts of the nation. As of 20 October, 250 million mu of winter wheat had been planted, or about 67 percent of the annual planting plan. [passage omitted]

Autumn planting has proceeded smoothly in most parts of the nation thanks to adequate soil moisture. Autumn and winter planting in northwest and north China is now drawing to an end. According to statistics, 100 million mu of wheat had been planted in northwest and north China as of 20 October, fulfilling the plan by 96 percent. Beijing, Tianjin, Shanxi, Gansu, and Ningxia have already completed planting. [passage omitted]

Wheat planting is on the rise in the Huang He and Huai He basins. Successive droughts, flooding, or both, has delayed the sowing time by 3 to 7 days. As of 20 October, Anhui had planted 24 million mu of wheat, or 82 percent of the plan; Jiangsu 20 million mu, or 61 percent of the plan; Shandong 56 million mu, or 80 percent of the plan; and Henan 49 million mu, or 60 percent of the plan.

**Savings Rates in Rural Areas Increasing**  
*OW3010185388 Beijing XINHUA in English  
1029 GMT 30 Oct 88*

[Text] Beijing, October 30 (XINHUA)—A recent survey among 200 million rural households found that Chinese farmers are putting aside more money for accumulation, thus ending accumulation decrease in the last few years.

The survey conducted by the general rural survey team of the State Statistics Bureau indicates that the per capita rural accumulation in 1987 registered an increase of 33.4 percent over the previous year, which saw a big accumulation drop.

This figure has also surpassed the 1987 consumption increase rate by 22.8 percent, the survey report said.

More significant is the productive accumulation is increasing faster than the non-productive accumulation. In 1987, the former rose by 53.2 percent, while the latter, 28.8 percent.

This up-going trend has continued into 1988. In the first half of this year, peasants' investment in production was 29 percent more than that in the same period last year and 6.5 percent over daily consumption expenditures in the same 1988 period.

However, consumption is also on the increase. During the 1981-1987 period, the survey report said, the annual consumption expenses for each farmer had risen from 153.1 yuan to 350.3 yuan, with an annual increase rate of 12.6 percent.

Experts attributed the change in accumulation and consumption patterns to the household contract system adopted since 1979, which has greatly increased farmers' income.

But they pointed out that the big rise in rural productive investment in 1988 is largely due to price hikes of agricultural means of production.

As the survey shows, they said, although the funds each farmer spent for buying chemical fertilizer and pesticide in the first half of this year were 24.7 and 35.9 percent more than the same 1987 period, the actual amounts bought dropped by 7.3 and 2.2 percent respectively.

They suggested that price hikes of the means of production should be brought under control and rural investment environment be improved, so as to terminate the decrease of investment profits and further rationalize both the accumulation and consumption formulas.

**Nie Rongzhen Writes Preface to Book Series**  
*OW0111043088 Beijing XINHUA Domestic Service  
in Chinese 0226 GMT 29 Oct 88*

[Text] Beijing, 29 Oct (XINHUA)—"War To Resist U.S. Aggression and Aid Korea," a volume in the series of books on contemporary China, will soon be published by the Social Science Publishing House.

The 300,000-character history book, compiled and edited by the Academy of Military Sciences, gives a comprehensive and systematic account, for the first time, of the history of the Chinese People's Volunteers' participation in the war to resist U.S. aggression and aid Korea. It vividly describes the commanding military art of the CPC Central Committee, the Central Military Commission, and the older generation of revolutionaries, such as Mao Zedong, Zhou Enlai, and Peng Dehuai, and reflects the strong patriotism, internationalism, and revolutionary heroism displayed by the Chinese people and their volunteers, as well as the combat friendship between the Chinese and Korean people cemented with

their blood during the war against aggression. It also expounds on the great significance and basic experience of the Chinese People's Volunteers participating in and winning the war.

In his preface to the book, Marshal Nie Rongzhen points out that this comprehensive and systematic book, which gives an honest account of the extraordinary history of the war to resist U.S. aggression and aid Korea, is indispensable in educating the Chinese people, in particular the vast numbers of young people, in the revolutionary traditions.

**First Childrens Rights, Interests Law Drafted**  
*OW3010185088 Beijing XINHUA in English*  
*0905 GMT 30 Oct 88*

[Text] Beijing, October 30 (XINHUA)—China has drafted its first law to protect the legitimate rights and interests of youngsters under age, said today's "PEOPLE'S DAILY."

The country now has 500 million young people, of which one of every five is illiterate. Many rural youngsters are deprived of education and employed as child laborers in township enterprises, the paper quoted Li Yuanchao, member of the secretariat of the Chinese Youth League's Central Committee, as saying.

Cases of physically punishing pupils, maltreating children or even inflicting death on them by parents occur now and then. Pornographic writings and video tapes are poisoning young people, and juvenile offences are increasing, according to Li.

To improve the situation, veteran cadres in Anyang City of Henan Province and in 18 other provinces and municipalities have set up societies for caring about youngsters.

Meanwhile, many local governments including Shanghai, Beijing municipalities and Fujian, Hunan Provinces have published or worked out regulations on protection of minors.

After a year of discussion and revision, China's first minor protection law will soon be submitted to the National People's Congress, the paper said.

**Population Under Control Despite New Baby Boom**  
*OW3110181488 Beijing XINHUA in English*  
*1528 GMT 31 Oct 88*

[Text] Beijing, October 31 (XINHUA)—The population surge is being effectively controlled even though China is seeing its third baby boom since liberation in 1949.

An official of the State Family Planning Commission told the opening session of the annual conference on Asian family planning and parasite control here today that 77.9 percent of families in China young enough to have children practice contraception.

Peng Yu, deputy director of the commission, said that about 32.3 million young couples are willing to stick to the one-child policy. Therefore, based on the population increase rate in 1970, China has avoided about 200 million births since then, Peng said.

In the next eight years about 20 million babies will be born in China every year, averaging about 40 every minute, she said.

In order to make China prosperous and every family happy, she emphasized, the country should continue to advocate the policy of encouraging one couple to have one child.

China's family planning policy also takes the peasants' interests and difficulties into account, otherwise they will not follow it, she added.

China will avoid any more baby booms like that in 1960, she said.

**1.27 Billion Population Predicted by 2000**  
*HK0111023888 Beijing CHINA DAILY in English*  
*1 Nov 88 p 1*

[By staff reporter Cheng Hong]

[Text] While China will keep on trying to limit its population to about 1.2 billion by the year 2000, this target no longer seems realistic, a leading official told CHINA DAILY in an exclusive interview yesterday.

Peng Peiyun, minister in charge of the State Family Planning Commission, said recent scientific studies and surveys had indicated that the nation's population could well reach 1.27 billion by the end of this century.

Peng said that the 1.2-billion target had been set early in 1980, before the national census in 1982, and "it probably did not reflect a realistic picture of our population situation."

The minister said that plans were being made to hold another national census in 1990 so that a new and perhaps more realistic population target could be set.

"Before that, however, the figure of a 1.2 billion population is still our target, and we will try to realize that by the end of this century with all possible efforts during the coming 12 years," said Peng. She added that the only way to achieve this target was to carry out the state's family planning policy and avoid resorting to coercion or commandism.

According to the Minister China's family planning policy, accepted as one of the most effective anywhere in the world, has been widely followed by people living in urban and rural areas which are well developed from both the cultural and economic points of view.

Statistics from the Family Planning Commission reveal that over 32.3 million couples have said they only want one child, while 78 percent of all couples use contraceptives.

However, encouraging all couples to have only one child does not mean the same as enforcing the "one child" policy, according to another family planning official. "We are not demanding that all fertile women have only one child," she said.

Although 32.3 million couples had volunteered to have only one child, representing only 18 percent of the number of couples of childbearing age nationwide. This percentage would be 36 if calculated in the urban areas and 11 in rural areas.

"That means not all families have only one child each, because more than one child each, because more than half of the families have more than one child, and rural couples who have a daughter as a first child are allowed to have a second baby. As for the ethnic minority people, they enjoy even more freedom." Peng pointed out.

Zhou Boping, vice-chairman of the China Family Planning Association, told CHINA DAILY that the policy of encouraging every couple to have one child only applied just during this special historical period. It was an attempt to prevent the population growing too fast and to change peoples' ideas about childbearing.

"The one-child concept cannot possibly be accepted in every part of China because of the imbalanced development in economy and culture. Besides, it is not a normal psychology to have only one child in a family because parents are always worried in case their child should have an accident," said Zhou. He added the policy could well be changed once the population had become adjusted.

Yesterday, more than 100 scholars and delegates from over 20 countries in Asia, Latin America, Africa and the South Pacific gathered in Beijing for the start of the 15th Annual Conference on Asian Parasite Control and Family Planning (APCO) and the 10th APCO Parasitologists' Meeting.

**QIUSHI No 9 Table of Contents Published**  
*HK0111083888 Beijing RENMIN RIBAO in Chinese*  
*30 Oct 88 p 8*

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[Text] Article by Qian Xuesen and Sun Kaisi: "Establish an Ideological and Social Scientific System"

Article by Yang Bo: "Seek Truth From Facts, Act According to Objective Economic Laws—Liu Shaoqi's Several Important Expositions on the Economic Readjustments in the Early 1960's"

Article by Chen Juncong: "A Brief Probe Into Liu Shaoqi's Theories and Practice Concerning the Workers Movement"

Article by Chen Zuolin: "Strictly Manage Party Affairs and Enforce Party Discipline To Ensure the Sound Development of Reform"

Article by Yang Peixin: "Indispensable Effective Measures To Be Taken To Curb Inflation"

Article by Wang Xianjin: "On Reform of the Urban Land Use System"

Article by Staff Reporter Chen Qiju: "An Important Aspect in Developing Marxism—Xu Chongwen on Study of 'Western Marxism' in China"

Article by Jiang Huanhu: "On the Question of Ownership Structure in the Initial Stage of Socialism"

Article by Tian Liwu: "Correctly Understand Lenin's Theory of Reflection"

Article by Lin Xun: "Brief Discussion on Clean Government"

Article by Ke Lan: "Deeply Thinking on the Frontiers"

Article by Zhao Guoqing: "Enjoying Natural Charms on Grasslands (a 'Jinshitan Cup' Solicited Article")

**Correction to Crackdown Achieves 'Initial Success'**

The following correction pertains to the article headlined "Construction Crackdown Achieves 'Initial Success'" published in the 27 October CHINA DAILY REPORT, page 39:

Column 2, paragraph 11 from: ...more vital industries.  
[new paragraph]

Reactions among ordinary...[noting deletion of paragraph per CHINA DAILY 29 October page 3 correction]

### East Region

#### Han Peixin at Jiangsu People's Congress Meeting *OW0111042488 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 24 Oct 88*

[Text] The Standing Committee of the seventh provincial People's Congress began its fifth session in Nanjing on 23 October. Chairman Han Peixin presided over the plenary session in the morning. Secretary General Bai Yun explained about the draft agenda of the session. [sentence indistinct]

Chairman Han Peixin said: The main objectives of the session are to seek unity of thought, reach a common understanding, fully develop democracy, and discuss matters of vital importance to Jiangsu Province through earnest study of the guidelines of the 3d Plenary Session of the 13th CPC Central Committee. We must give play to the role of organs of power, unite the people across the province, strengthen contacts between deputies, and make great efforts to strive for improvement of the economic environment, rectification of economic order, deepening of comprehensive reform, and establishment of a new order in the socialist commodity economy. He then relayed the guidelines of the 3d Plenary Session of the 13th CPC Central Committee.

Li Zhizhong, Xing Bai, and Li Qingkui, vice chairmen of the Standing Committee, attended the session. Vice Governor Yang Yongyi, President of the Provincial Higher People's Court Li Peiyou, and Chief Procurator of the Provincial People's Procuratorate Qin Jie were present at the session as observers. Also present at the session as observers were responsible persons of departments concerned of the provincial government, chairmen and vice chairmen of the standing committees of people's congresses of cities and counties, and deputies from the provincial People's Congress in Nanjing.

#### Gu Xiulian Reports to Jiangsu People's Congress *OW0111120388 Nanjing Jiangsu Provincial Service in Mandarin 1015 GMT 25 Oct 88*

[Text] The Fifth Meeting of the Seventh Jiangsu Provincial People's Congress today heard a report by Governor Gu Xiulian, entitled "Progress Made and Measures Adopted To Put the Economic Environment in Order, Improve Economic Order, and Strengthen Reform in an All-Around Way" and a report by Vice Governor Chen Huanyou, entitled "Govern Honestly—on Consolidating and Putting Companies in Order."

Governor Gu said: Governments at all levels in the province must firmly implement the guidelines of the 3d Plenary Session of the 11th CPC Central Committee and keep in step with the Central Committee. She emphatically pointed out: We are putting things in order while continuing to uphold the general goal of reform and opening. We are doing so to create a more favorable environment for the all-around, in-depth reform. At

present, our province mainly relies on the market to regulate the supply of goods and material. We must support our subordinates and encourage them to boldly conduct normal economic activities and safeguard the initiatives of the vast numbers of cadres and masses in developing socialist commodity economy. However, we must also sternly deal with bureaucratic and private profiteering; we must not be soft on the culprits. Governor Gu also presented 10 measures to meet next year's work requirement.

In his report, Vice Governor Chen Huanyou said: In the immediate future, the emphasis of our efforts to make our government clean is to seriously deal with the question of running business by party and government organizations and office cadres. The provincial government has set up a leading group with Gu Xiulian as head and Zhou Ze and Cao Keming as deputy heads. Corresponding leading groups have also been set up by various cities and counties. After reporting the specific work done in the province, Vice Governor Chen Huanyou pledged to consciously accept the supervision of the provincial People's Congress and the supervision of all circles of society, the masses, and the news media, and promptly investigate and handle cases of corruption and illegal acts to push forward Jiangsu's reform, opening, and economic construction.

#### Lu Rongjing Attends Jiangxi Commodity Exhibition *OW3110105588 Hefei Anhui Provincial Service in Mandarin 1100 GMT 29 Oct 88*

[Excerpts] The First Anhui Provincial Exhibition of famous, quality, special, and new products by individual tradesmen opened at the provincial museum yesterday morning. Responsible persons of the provincial CPC Committee, Advisory Commission, People's Congress, government, and CPPCC Committee including Lu Rongjing, Fu Xishou, (Hei Tianxiao), Su Hua, Zheng Rui, and Meng Yiqi attended the opening ceremony and visited the pavillions. [passage omitted]

Since the 3d Plenary Session of the 11th CPC Central Committee, our province's individual businesses have been rapidly restored and developing. By the end of September, the number of licensed individual businesses had topped 670,000, employing over 1.13 million people, up respectively 9,400 and 15,900 percent over 1978. Retail sales of individual businesses account for 17 percent of the provincial total. [passage omitted]

#### Article Cites Jiangxi Secretary on Reform *HK3010073288 Beijing GUANGMING RIBAO in Chinese 16 Oct 88 p 3*

[Article by Mao Zhiyong (3029 5268 3938), Secretary of Jiangxi Provincial CPC Committee: "Honesty, High Efficiency, and Practicality—On a Change Effected in Party and Government Work Style"]

[Text] Besides abundant natural resources, Jiangxi has a unique, immense spiritual advantage: The "Jinggangshan spirit," the precious heritage of plain living

and hard struggle left over from the revolutionary war years. Under the conditions of reform, opening up, and commodity economic development, we cannot forsake the tradition of plain living and hard struggle. To revitalize Jiangxi, we should rely on the spirit of building the province through arduous effort and forging ahead. Regarding leaders at all levels, on the one hand, they should constantly conduct education in revolutionary tradition among the masses and lead them to develop a commodity economy and realize common prosperity with the spirit of building the province through arduous efforts; and on the other hand, the leading organs and cadres should use their exemplary deeds to practice plain living and hard struggle, consciously carry forward the revolutionary tradition in light of the requirements of "honesty, high efficiency, and practicality," eliminate bureaucracy, improve the work style of the leading organs, and serve the basic levels and the masses.

"Honesty" means that party and government organs should keep themselves clean in the course of reform and opening up, with "those assuming powers not seeking personal gain and those engaged in politics not violating discipline" as the rudimentary requirement. A leading comrade of the central authorities has repeatedly stressed that the success of reform lies in whether the party and government organs can keep themselves clean. We should profoundly understand and deal with this major issue with a serious attitude. On the basis of investigations and studies, analyses, and unity of thinking, all localities should resolutely adopt comprehensive measures to tackle the problems: First, pay attention to education conducted in performing duties honestly in connection with practice. In the course of the education, it is necessary to vigorously commend those who performed their duties honestly and courageously fought against corrupt practices and set a good example. Meanwhile, it is necessary to select the most typical negative cases to dissect them, circulate a notice of criticism, and organize cadres to discuss them so as to draw a lesson. Nevertheless, we should put the stress on positive factors, publicizing the positive examples which include the units that are not corrupted by riches. There are some counties in Jiangxi which have received a considerable amount of revenue from their rapid economic development. However, they have used their money sparingly. For example, there are more than 40 units crowded in the office building of the Gaoan County organs built in the 1950's. The desks of the secretary and magistrate are too old. Qingjiang County collected over 50 million yuan of revenue last year, yet they were reluctant to reconstruct the guesthouse built 30 years ago. As Huichang County is a base area, the county CPC Committee and government pointed out: "Unless the base area is extricated from poverty, we will not reconstruct the office building of the county organs." If all organs at and above county levels can lead a plain living like this, it will be easy to solve the problem of group purchases and keeping the scope of capital construction under control. Second, pay attention to the exemplary role of leading cadres. This is a most effective method. Leading cadres

at all levels should play an exemplary role with the spirit of setting strict demands on themselves. Cadres at and above the department level of the provincial organs, leading cadres of the provincial party committee and government in particular, including myself, should strictly abide by and take the lead in implementing the "Regulations on Keeping the Party and Government Organs Free From Corruption" promulgated by the provincial party committee and government. To maintain honesty, we should examine ourselves three times a day, be strict with ourselves before we expect of others, and welcome supervision by other comrades. Third, pay attention to institutional building and increase the openness and transparency of party and government work. The problems involving the vital interests of the masses, such as employing cadres, recruiting workers, enrolling students, peasants transferred from rural to urban areas, and distribution of materials, funds, and housing should all be carried out openly. Many difficult things are easily settled once they are made open.

In the spring this year, there were some 700 residents in Ningdu County striving for the quotas of 207 peasants transferred from rural to urban areas. The county party committee and government put the list stating specific standards and different categories on the street walls, openly letting the masses discuss the matter and the applicant "sit in the right seat." Consequently, the problem was rapidly settled. We should encourage this practice of dealing with a problem openly and doing things through normal procedures rather than by the back door. Fourth, enforce party and government discipline, laws, and decrees and promptly investigate and handle the cases of violation of law and discipline. We should conduct an inspection of duties performed by the cadres at and above bureau and department levels throughout the province before the end of this year. The supervisory organs and procuratorates should set up "reporting centers." Party committees, governments, and discipline inspection commissions should further strengthen the work of handling people's letters and visits so as to give full play to the supervisory role of the masses. While investigating the cases, the judicial organs should stick to principles, be upright and above flattery, seek truth from facts, and handle matters impartially. We should resolutely weed out the degenerates within the party and punish the lawless offenders according to law. We should not be softhearted and lenient in the cases that should be sternly dealt with. Otherwise, there will be no end of trouble for the future and the people will never forgive us. Fifth, while encouraging the spirit of dedication, we should be concerned with the well-being of the cadres and staff members. When the relations of prices and wages are not yet straightened out, the party and government organs and units should vigorously carry out the drive of increasing income and practicing economy within the scope of the central and provincial policies and stipulations. On the premise of

not scrambling for gain with the people, where conditions permit some organs may engage in production to duly improve the welfare benefits of their cadres and staff members.

Proceeding from the requirement of "being eager to meet the needs of the overall situation, production, and the masses," "high efficiency" refers to increasing the efficiency of party and government organs and all departments. Some comrades at the basic levels have complained about the unnecessary loss caused by poor efficiency of certain organs and units. Fundamentally speaking, we should rely on the overall, production, and mass concepts fostered by all working personnel of the organs and departments to increase efficiency. Only with the overall concept can we eagerly meet the needs of the overall situation, correctly handle the relations between partial interests and interests of the whole, and coordinate the problems between departments so that the "machine" as a whole will operate efficiently rather than one trying to shift the responsibility onto the other and both disputing over trifles. Only with the production concept can we eagerly meet the needs of production and vigorously offer pre- and post-production services rather than place obstacles and cause delay in work. Only with the mass concept can we eagerly meet the needs of the masses, realize the difficulties and sufferings of the masses, simplify the formalities, improve our service and attitude, and enthusiastically serve the masses rather than let the masses "burn joss sticks" and seek help everywhere. To increase efficiency, it is necessary to clearly define the functions of each department. The departments should exchange information and carry out dialogue directly. The principal leaders of departments should increase mutual contacts and exchange views when they encounter problems. Only by doing so can we seek unity of thinking and coordinate their activities. It is necessary to establish a layer coordination system which stipulates the problems that should be solved through consultation between the departments, the problems that should be solved by the comprehensive departments through consultation, and the problems that should be turned over to the government or party committee for solution. We should institutionalize our coordination work and prevent the practices of handling all problems, big or small, over to the higher authorities and leaving the major issues unsettled for a long time. The party and government organs and all departments should also strengthen internal management, improve their management level, establish a strict target management system and personal responsibility system in light of their practical conditions, reward the diligent and punish the lazy, and arouse the initiative of the departments, offices, and all working personnel.

"Practicality" refers to leading organs at all levels energetically encouraging the practice of conducting investigations and studies, going deep into the realities of life to solve practical problems, proceeding in all cases from practice, and genuinely achieving the target of "speaking truth, doing practical work, and seeking practical results."

First, it is necessary to strengthen investigations and studies. We cannot make correct policy decisions and do our work well without conducting investigations and studies. As the situation has developed rapidly and many problems have emerged particularly in the course of reform and opening up, we will become passive and easily make mistakes if we do not conduct investigations and studies, to say nothing of "doing first rate work." For this reason, leading organs above the county level should take special note of conducting investigations and studies. Above all, the principal leaders of party committees should take a personal hand in the matter. Meanwhile, it is necessary to give full play to the role of the organs in charge of investigation and study and coordinate and organize well the relevant forces. The provincial party committee has planned to set up a policy research office, one of the working sections of the provincial party committee, in the course of structural reform. Apart from undertaking the comprehensive and coordinating task of political structural reform, it will conduct "advanced" investigations and studies focused on overall, policy-related important matters in practice to serve the policy-decision work of the provincial party committee. Second, it is necessary to earnestly strengthen work at the grass-roots levels. We should be concerned with the grassroots levels, go to work there, and strengthen them. Leading cadres are encouraged to work at the basic levels and promptly coordinate the contradictions and solve the problems on the spot. Meanwhile, we should take note of enhancing the forces in the first line. Party committees at the county level should place the building of township and village leading bodies on the agenda and explore more experience conducive to work at the grass-roots levels. Third, it is necessary to carry forward the practical spirit, strive to do more work, and score more achievements. During the revolutionary war years, the working personnel of Xinguo county and Changgang town created first rate work. Today we should carry forward this glorious tradition, stop indulging in empty talk, never seek undeserved reputation, work hard, and do more practical things for the masses. The comrades working in the old base areas should particularly do more and score greater achievements as they directly shoulder the glorious task of building the base areas. We should have lofty aspirations and great ideals as well as a target and blueprint to transform the outlook of the the base areas. Above all, we should lay down the basic conditions of extending highways to the base areas and ensuring water and electric supply there, develop education and intellectual resources, gradually run a number of township and village enterprises, and develop township enterprises and courtyard economy. So long as the base areas have developed their transport and communications, have ample food and clothing, and have invigorated their commodity economy, there will be bright prospects for them to become well-off.

**Shandong Ideological, Political Work Meeting**  
*SK3110083588 Jinan Shandong Provincial Service  
in Mandarin 2300 GMT 30 Oct 88*

[Excerpts] From 27 to 29 October, the provincial party committee held an enterprise ideological and political work meeting in Yantai. Attending the meeting were

more than 200 persons, including responsible persons of various prefectural and city party committees, directors of the Propaganda Departments, responsible persons of some large and medium-sized enterprises, and leading comrades of the provincial-level departments concerned.

The meeting conscientiously studied the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and in a concentrated manner studied ways to strengthen and improve enterprises' ideological and political work under the new situation.

Miao Fenglin, member of the Standing Committee of the provincial party committee and director of the Propaganda Department, presided over the meeting. Lu Maozeng, deputy secretary of the provincial party committee, attended and addressed the meeting. Lu Maozeng said: One of the most important tasks of the current enterprise ideological and political work is to deeply implement the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and conduct education on the current situation which focuses on improving the economic environment, rectifying the economic order, and comprehensively deepening reform. The provincial party committee has decided that concentrated efforts should be made to successfully carry out this work during the fourth quarter of this year and the first quarter of next year. [passage omitted]

Lu Maozeng pointed out: Enterprises are places where the advanced productive forces are concentrated, the major forces for social and economic development and technological progress, and the foundation for social stability and unity. Strengthening ideological and political work among enterprises is of great significance. We must exert strenuous efforts to grasp this work firmly and successfully.

Lu Maozeng stressed: In order to successfully conduct ideological and political work among enterprises, we should establish a new system under which the plant directors and managers should assume full responsibility for the enterprise workers' ideological and political work, and see to it that the tasks of managing people, material, and ideology are integrated. Party organizations and secretaries of the party committees of enterprises should better display their guarantee and supervisory functions, firmly foster the idea of closely integrating the enterprises' ideological and political work with economic work, work with coordinated efforts, and make the work a success. After establishing the new system related to the ideological and political work of enterprises, we should proceed from the reality of the enterprises; actively probe into the content and methods of improving the enterprises' ideological and political work; consider respecting, understanding, and caring for the people as the basic principle which we must adhere to in the course of conducting ideological and political work; and strive to work, guide, inspire, and help the people. All enterprises should cultivate their own enterprise spirit in line with their own distinctive features and

create a sound, high aimed, rich, and colorful cultural environment for enterprises, and imbue the cultural and recreation activities with education in an effort to intensify the coherence, attraction, and influence of the ideological and political work.

At the end of his speech, Lu Maozeng pointed out: In order to meet the needs of the new situation of reform and opening up, we should establish a high-level enterprise ideological and political work contingent. Plant directors and technical and managerial cadres should study the ideological and political work again and adapt themselves to the work as soon as possible. Secretaries and full-time political work cadres must also study the work again in order to enhance their awareness. A qualified plant director must have the ability to direct and manage the coordinated development of the two civilizations and must serve as an expert in leading the ideological and political work. As long as the party, the government, trade unions, and the CYL organizations have the pioneering spirit and carry out the work boldly, a new situation will surely be created in the ideological and political work of enterprises in our province.

Vice Governor Li Chunting announced to the participants our province's situation in industrial and communications production since the beginning of this year and next year's production arrangements.

**Xue Ju Addresses Zhejiang Party Committee Plenum**  
*OW0111062888 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 23 Oct 88*

[Excerpts] The Enlarged Ninth Plenary Session of the Seventh Zhejiang Provincial CPC Committee was held from 15 to 23 October in Hangzhou. The session called on party organizations at all levels and all party members in the province to singlemindedly make concerted efforts to study and implement the guidelines set at the 3d Plenary Session of the 13th CPC Central Committee and, in light of the actual situation in the province, carry out the principles of improving the economic environment, rectifying economic order, and deepening reforms in a comprehensive way to win still greater success in reform, opening, and socialist modernization.

Among those attending the session were Xue Ju, secretary of the provincial party committee; and Shen Zulun, Chen Fawen, Wu Mindu, and Ge Hongsheng, deputy secretaries. Also attending the session were members of the Standing Committee of the provincial party committee, members of the provincial party committee, the provincial Advisory Commission, provincial Discipline Inspection Commission, and principal responsible persons from various cities, prefectures, and counties and from various provincial organs, commissions, offices, departments, and bureaus. [passage omitted]

Xue Ju, secretary of the provincial party committee, addressed the session. His speech laid emphasis on four questions.

Pointing out the need to achieve ideological unity on the basis of the guidelines of the 3d Plenary Session of the 13th CPC Central Committee, Comrade Xue Ju said: To achieve ideological unity and implement the guidelines of the 3d Plenary Session of the 13th CPC Central Committee, we must be resolute and sober-minded and have the courage to do something. To be resolute means we must be firm and unwavering in improving the economic environment, rectifying economic order, and deepening reforms. To be sober-minded means we must have the sober mind to see our present problems, difficulties, and favorable conditions, understanding and analyzing them clearly and fully. To have the courage to do something means we must advance in defiance of difficulties to accomplish something, achieve development, and make progress. [passage omitted]

Referring to the tasks to be grasped in improving the economic environment and rectifying economic order during the winter of this year and spring of next, Comrade Xue Ju said: Every effort should be made to stabilize the market to set the people's minds at rest. We should ensure that the rate of price rises next year will be noticeably less than this year. All localities are required to resolve to cut the scale of capital construction and do this on their own initiative. If a project is to be canceled, the bank should no longer provide funds for it, the authorities concerned should revoke the construction license, and the departments of industrial and commercial administration, taxation, electric power, and urban construction should also recall the approval they gave for the construction of the project. In addition, the construction team should be instructed to leave the worksite before a prescribed time limit. [passage omitted]

On the development of a down-to-earth campaign to increase production and practice economy, promote agriculture, and deepen enterprise reform, Comrade Xue Ju said: It is necessary to develop a campaign to increase production and practice economy in an intensive and sustained way. The energy, raw and semifinished materials, and transportation capacity made available by the curtailment of the capital construction scale should be used to develop agriculture and promote production of urgently needed daily necessities and those products which can be exported to earn foreign exchange. We should give prominence to the task of improving our current agriculture by stabilizing production of grain, pigs, and vegetables and going all out to develop agricultural undertakings. Meanwhile, village and town enterprises should take the road of consolidation, transformation, association, and improvement so that they will be able to give more effective support to agriculture. Reform of enterprises should be put in high gear. Enterprises should integrate their reform efforts with the

campaign to increase production and practice economy, striving to make remarkable progress in raising economic efficiency. [passage omitted]

Touching on the question of developing the party's role as the core of leadership and ensuring its supervisory capacity, Comrade Xue Ju said: The key to success in improving the economic environment and rectifying economic order is to be strict with party members, consolidate discipline, and rectify the style of the party. Party organizations at all levels and all party members are required to support the authority of the party Central Committee, carry out its calls, and see to it that all orders and prohibitions are strictly complied with.

In conclusion, Comrade Xue Ju said: The tasks before us are arduous, and the difficulties we have to face are numerous. However, as long as all in the party are united as one from the top down, have one mind and support each other, and every Communist Party member faithfully carries out his duty, courageously shouldering heavy work to share the burdens with the party and state, we are bound to overcome the difficulties and fulfill the tasks set at the 3d Plenary Session of the 13th CPC Central Committee.

**Enterprise Work Committee Set Up in Zhejiang**  
*OW0111103688 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 24 Oct 88*

[Excerpts] The Zhejiang Provincial CPC Committee set up an enterprise work committee today as one of its agencies to exercise direct leadership over the party committees of enterprises under the provincial authority and over ideological and political work among workers and staff members. [passage omitted]

The main tasks of the enterprise work committee under the provincial party committee are: to implement the principles and policies laid down by the party Central Committee and the provincial party committee with regard to economic construction in the province's enterprises, investigate and study major problems in strengthening enterprise reform, give macroeconomic guidance and, regard, exercise leadership over the work of party committees in the enterprises directly under the provincial authority as well as in state enterprises in the province, give guidance to the leading bodies of such enterprise party committees, and guide party building in the enterprises as well as ideological and political work among the workers and staff members.

Ge Hongsheng, deputy secretary of the provincial party committee, serves concurrently as secretary of the enterprise work committee under the provincial party committee. [passage omitted]

### Central-South Region

**Guangdong Publishes New Cultural Paper**  
*OW3110111588 Beijing XINHUA Domestic Service  
in Chinese 1527 GMT 25 Oct 88*

[By reporter Yang Chunnan]

[Text] Guangzhou, 25 Oct (XINHUA)—With the approval of the State Media and Publications Office, "YANHAI DA WENHUA BAO" [3116 3189 1129 2429 0553 1032] [COASTAL CULTURAL NEWS], run by Guangdong's journalist circles, started publication in Guangzhou today.

It is reported that the "YANHAI DA WENHUA BAO" will highlight reports on reform, opening, major cultural events, and current cultural fads. It is aimed at strengthening the reform, expanding opening, and serving the strategy of cultural development and cultural building.

**Hainan Meeting Views Militia, Reserve Work**  
*HK3110012588 Haikou Hainan Provincial Service  
in Mandarin 2300 GMT 30 Oct 88*

[Excerpts] The Hainan Provincial CPC Committee's People's Armed Forces Commission recently held its first meeting to study and resolve relevant issues in Hainan's militia and reserve service work at present and in the future. The meeting was attended by Liang Xiang, provincial governor and chairman of the commission; Pang Weiqiang, commander of Hainan Military District and vice chairman of the commission; (Zhang Deyan), chief of staff of the Military District and member of the commission; and responsible persons concerned of the party, government, and Army, and members of the commission. Provincial party committee Secretary Xu Shijie and Hainan Military District Political Commissar Liu Guinan attended as observers and spoke. [passage omitted]

Liang Xiang pointed out in a speech: Hainan is both a special economic zone and an independent theater of operations [zhan qu]. The responsible army and local comrades must all fully understand the dual nature of the province's status. We must acquire two sets of skills—that is, we must understand both economic and military affairs; we must grasp both economic construction and militia and reserve service work; we must enrich the island and also strengthen the army.

Comrade Liang Xiang said: We must adapt to the new situation of the establishment of Hainan as a province and a large special zone and set up an organizational form of the militia with the characteristics of the special zone. We must do a good job in conducting military training for the militia to improve their military quality. We must do a good job of managing the militia's weapons, and promote recruitment work. We must be

concerned for the work of the people's armed forces departments, step up the training of people's armed forces cadres, and improve their professional abilities. [passage omitted]

**Henan Calls For Stabilization of Money Market**  
*HK0111033988 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 31 Oct 88*

[Text] The provincial people's government recently issued a circular, calling on governments and departments at various levels, and particularly leading cadres at different levels, to attach great importance to stabilizing monetary markets, to take the overall interests into account, and to not go their own way.

The circular emphasized: Controls must be tightened over the line of credit and plan for the money supply. Wherever the line of credit is blurred and the plan for the money release is broached, principal persons in charge of governments and the People's Banks there will be responsible for it. In case any specialized banks fail to release money according to plan, their directors will be called to account.

The provincial people's government called for all banks to make an effort to overcome difficulties and work flexibly in the tight money market so as to ensure a normal operation of economic life, and particularly guarantee cash payment for wages of workers, bonuses and subsidies prescribed by the state. It called for withdrawing money from banks, supporting procurement of farm and sideline products, granting rational loans for procurement of export goods, and supporting production and procurement of the people's daily necessities.

The circular also urged vigorously the promoting of savings deposits in urban and rural areas, tightening controls over cash, resolutely recalling overdue and anticipated loans, and squeezing loans facilitated by credit cooperatives in urban and rural areas. Meanwhile, all localities are requested to conduct a checkup of warehouses and make better use of the stored goods and equipment in enterprises without delay. At present emphasis must be placed on the major inspection of credits and cash in a bid to standardize the management of credits and cash throughout the province, and on withdrawal of part of the currency issued to ease the tight money supply, stabilize the money market, and support the province's economic development.

**Hubei Holds Meeting on Handling Letters, Visits**  
*HK0111041088 Wuhan Hubei Provincial Service  
in Mandarin 1000 GMT 31 Oct 88*

[Excerpts] The 3-day provincial conference on handling letters and visits concluded in Wuchang on 30 October.

Provincial party committee Secretary Guan Guangfu presented his views on handling letters and visits under the new situation. Deputy Secretary Qian Yunlu attended and addressed the meeting. [passage omitted]

The meeting pointed out: The provincial party committee and people's government maintain that under the new situation, handling letters and visits must serve the planned socialist commodity economy, the reforms and building the two civilizations, and the improvement of the economic environment and rectification of the economic order during the next 2 years. Meanwhile, the work should contribute to the efforts to keep party and government organs clear from corruption and to tighten the ties between party and government organs and the people. For this reason the channel for handling letters and visits must be kept unimpeded so that people will be able to make their suggestions and pour out their grievances.

The meeting called on party committees, governments, and departments in charge of handling letters and visits at different levels, to seriously handle all problems reported and exposed by the people, and not to perform their duties in a perfunctory manner. At the same time they should act in strict accordance with the law and protect the lawful rights of those who report and expose problems. All retaliatory and trumped-up cases should be dealt with in earnest. [passage omitted]

## North Region

**Li Ximing at First Beijing Handicapped Congress**  
*OW0111042888 Beijing Domestic Service*  
*in Mandarin 1030 GMT 31 Oct 88*

[Text] The first congress of the Beijing Municipal Handicapped Association opened today. Li Ximing and Deng Pufang attended the opening to extend greetings.

According to a briefing, handicapped associations have already been set up in nine provinces and municipalities—namely, Liaoning, Anhui, Zhejiang, Shanghai, Jiangsu, Yunnan, Sichuan, Fujian, and Beijing. More will be established in some provinces, autonomous regions, and municipalities before the end of this year.

**Inner Mongolia's Wang Qun Addresses Meeting**  
*SK3110085088 Hohhot Inner Mongolia Regional Service in Mandarin 1130 GMT 29 Oct 88*

[Text] On the afternoon of 29 October the autonomous regional party committee sponsored a meeting of party members. At the meeting Comrade Wang Qun delivered an important speech before the entire group of comrades who are going to attend the regional conferences on building party style and organizational work as well as party-member cadres from the regional level organs at or above the department-bureau level.

Attending the meeting were deputy secretaries of the autonomous regional party committee, including Bu He, (Zhang Dinghua), Qian Fenyong, and Batubagen.

In his speech, Wang Qun, secretary of the autonomous regional party committee, stressed that efforts should be made to strictly run the party to ensure the smooth progress in conducting reform and construction. He stated: Since the 3d Plenary Session of the 11th CPC Central Committee our region has made gratifying progress in party building thanks to the effort made by party organizations and party members at all levels. The general situation in this regard and most members of the party contingent are good, which must be fully acknowledged by us. At the same time, we should also note that there are still some problems in the building of ideology, organizations, and work style and in other fields throughout the region. Such problems in some localities are very serious. In particular, there are corrupt phenomena within the party. Although such problems are committed by a few party members, they influence the masses both inside and outside the party and bring about damage to the party image and to the prestige of party members. These problems have drawn strong complaints from the people and adversely affected the unity between the party and the people. The existence of corrupt phenomena within the party is, of course, caused by many factors, such as those concerning quality and systems. However, an important factor is that our region has not strictly enforced party discipline. Some party organizations are flabby and lack unity. They have not abided by the regulations or laws in doing things, have not strictly enforced the law, and committed the practice of continuing in the same old rut. This is a lesson that warrents our attention.

In his speech Wang Qun stated: We should acknowledge that in eliminating the corrupt phenomena within the party, there is a certain difficulty which, however, has not arrived to the extent that we feel quite helpless and powerless. On the contrary, we should be fully confident in eliminating this and encourage party members and the masses to foster confidence in this regard, to first deal with the problems of ideology and understanding, to adopt a correct attitude toward the relationship between party style and social morale and between party style and the drive to conduct reform and open to the outside world, to correctly analyze the main social trend, and to always keep a clear head. We should also note that in eliminating the corrupt phenomena within the party, there are many favorable conditions, which are as follows:

1. Corrupt phenomena are detested by everyone in society and party members and the masses will not allow them to exist any longer or allow this to develop or expand.
2. The CPC Central Committee has paid great attention to eliminating the problem of corruption within the party and to applying a series of important measures which have been put into effect to carry out consolidation in an overall way.

3. Along with deepening the drive to conduct reform, democracy and legal systems have gradually become perfect, the role played by the masses in supervision has become increasingly large, and the market for corrupt phenomena has become smaller and smaller.

4. The CPC Central Committee recently put forward the task of improving the economic environment and rectifying the economic order, which has provided good conditions for eliminating these corrupt phenomena.

We are convinced that only by having the whole party make concerted efforts and earnestly and unwaveringly take hold of the CPC Central Committee's principle of being resolute on one hand and sustained on the other can we restrict or reduce the corrupt phenomena within the party to the smallest extent and bring about a new situation in party building.

In his speech Wang Qun stated that to ensure success in improving the economic environment, rectifying the economic order, and deepening the drive to conduct reform, it is imperative to enhance the party's centralization and relaxation of power and to bring into full play the party's core and leading role. What we have to stress particularly right now is centralization. In view of our region's situation, we should continuously delegate rights that should be delegated to grass-roots level units to those units. And particularly we should fully delegate rights to enterprises. No locality or department is allowed to seize rights arbitrarily. However, rights that should be centralized must be centralized. Departments and units from top to bottom throughout the region must resolutely and thoroughly do things in line with the party's principles and the state policies, laws, and orders. By no means should we let any locality, department, or unit overstep their authority without getting an approval; and we should not let them go their own way and indulge in the practice of adopting countermeasures against policies.

In his speech Wang Qun stressed that the whole party must strictly enforce discipline. We just want to ensure the unity between policy and order throughout the country and region through strictly enforcing discipline to safeguard the laws and regulations formulated by the CPC Central Committee and the State Council. Only by doing so can we enable the broad masses of cadres and party members to be taught the right lesson and to boldly make some decisions.

In his speech Wang Qun stated: The task of ensuring success in improving the economic environment, rectifying the economic order, and deepening the drive to conduct reform must be based on upgrading the political consciousness of the vast number of party members and bringing into full play their vanguard and model role. Party organizations at all levels should now speed up the education on the situation among the vast number of party members in line with the central arrangements. Party organizations should organize the members to

earnestly study the spirit of the work conference of the CPC Central Committee and the 3d Plenary Session of the 13th CPC Central Committee so as to enable them to fully understand the important achievements scored in reform over the past 10 years as well as the current difficulties and problems in the drive to conduct reform, to deeply master the important policy decisions made by the CPC Central Committee, to clearly discern their own duties, and to bring into full play the dedication and the sense of duty of every communist party member. An important task at present for ensuring smooth progress in improving the economic environment, rectifying the economic order, and deepening the drive to conduct reform is to uphold or carry forward the spirit of waging arduous struggle throughout the party. This is not only the major task of ensuring that party and government officials perform their duties honestly but also an important measure for overcoming the current difficulties and achieving success in reforms. Meanwhile, in eliminating the negative or corrupt phenomena within the party and ensuring the party and government organs perform their duties honestly under the current situation, we should depend on enforcing discipline on one hand and conducting democratic supervision on the other.

In his speech Wang Qun stated: In improving the economic environment, rectifying the economic order, and getting a hold on the work of having party and government officials perform their duties honestly, we should conduct effective supervision while successfully grasping system building, bring into full play the role of party organizations at all levels, and do a good job in conducting the party's supervision. Efforts should be made to carry out supervision under the assistance of the state supervisory units by bringing into full play the role of the organs of power at all levels and of the supervisory departments. Efforts should be made as well to bring into full play the supervisory role of the masses, to do a good job in conducting social supervision, and to generally establish centers in charge of receiving reports of violations of law or discipline.

### Northeast Region

#### Heilongjiang Meeting Examines Current Situation SK3110013088 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 25 Oct 88

[Text] The United Front Work Department of the provincial party committee held a meeting on 25 October to report the current situation. Zhou Wenhua, deputy secretary of the provincial party committee, introduced our country's situation of reform to the participants, which included responsible persons of democratic parties and mass organizations and nonparty personages of various circles.

Meng Chuansheng, director of the Propaganda Department of the provincial party committee, presided over the meeting.

Comrade Zhou Wenhua first affirmed the great achievements in reform made over the past 10 years and analyzed the influence reform has had on our country's political, economic, and cultural fronts. He also pointed out the seriousness of some existing problems.

Inflation, confused economic order, and imbalance between overall social demand and overall social supply are prominent problems in the current economic activities. Inflation is the fundamental reason for substantial price hikes. Ceaseless expansion of the scale of investment in fixed assets; the unreasonable investment structure; and the excessive number of newly built office buildings, hotels, and auditoriums, are major reasons for inflation.

Zhou Wenhua pointed out: According to arrangements by the central authorities, our province has set forth specific requirements for improving the economic environment, rectifying the economic order, and comprehensively deepening reform now and in the coming 2 years.

He urged that various democratic parties positively engage in our province's overall work to deepen reform and supervise the implementation of the policy decisions made by the provincial party committee and the provincial government.

**Jilin CPC Work Conference Ends 23 Oct**  
*SK3010070588 Changchun Jilin Provincial Service  
in Mandarin 1030 GMT 23 Oct 88*

[Text] The Jilin Provincial CPC Committee work conference ended today. In line with reality, the conference comprehensively analyzed the situation of the entire province and worked out comprehensive plans for implementing the guidelines of the work conference of the CPC Central Committee and the Third Plenary Session.

The conference called on the party committees and governments at all levels to act in line with the demands and plans of the CPC Central Committee, unify thinking, clearly understand the situation, strengthen confidence, and vigorously guide the masses, and exert efforts to guarantee the smooth progress of the work to improve the economic environment, consolidate economic order, and comprehensively deepen reform.

Comrade He Zhukang gave a summing-up speech at today's conference.

The conference analyzed the situation of the entire conference and maintained that the current general situation is good, the 10 years of reform has instilled great vitality into the national economy, and promoted economic and social development, the province's economic strength has remarkably intensified, the people's living standard has enhanced noticeably, and remarkable achievements have been scored in all fields. However, there are some existing difficulties and problems. The

prominent ones were: The overall social demands exceeded the overall supply in five successive years, the scope of capital construction was too large, the increase in consumption was too rapid, the inflation continued to aggravate, price hikes were too sharp, and the economic order, particularly the circulation sphere, was in serious disorder. In addition, some people in party and government organs have engaged in corruption and the cases of some are quite serious. All these have caused great difficulties and threatened reform and national construction. In this connection, the conference put forward that one of the most important and urgent tasks facing the party committees and governments at all levels in the next 2 years is to improve the economic environment and consolidate economic order. At present, it is most important to control commodity prices, reduce the overall social demands, control inflation, and consolidate all disorderly phenomena in the circulation sphere.

The conference declared that from now on no price adjustments would be conducted at any level in the localities, and no price management powers would be delegated to the lower levels next year. Efforts should be made to strictly control the price index during the next few months of this year. If necessary, governments at all levels may control the prices and the supply of some product varieties that are indispensable to the people's livelihood. It is necessary to announce the price ceilings of some important varieties of products to the society so as to make things convenient for the masses to give supervision, and to guarantee that next year's rise in retail prices will be noticeably lower than this year. In addition, it is necessary to strictly punish those who go their own way, fail to strictly enforce orders and prohibitions, and act against the policies of the higher levels. By no means should we tolerate and abet them.

While discussing ways to correctly handle the relations between improving the economic environment and rectifying the economic order while comprehensively deepening reform, the conference maintained that improvement and rectification do not mean restricting economic vitality. Instead, the aim is to create conditions for developing the commodity economy and guaranteeing the sound development of reform and construction. This requires the efforts of the party committees and governments at all levels to adopt a resolute attitude and active and reliable methods and measures while implementing the principles defined at the Third Plenary Session, and to persist in improving the economic environment in the course of reform and achieving progress in the course of rectifying order. At present, in the course of comprehensively deepening all supporting reforms, we must continue to develop and improve the contract system, actively promote the stocksharing system, vigorously develop cooperation and enterprise associations, boldly develop individual operations and the private economy, continue to cultivate and develop the market system, intensify the external functions of economic development, and unceasingly deepen all reform undertakings throughout the province.

The conference also pointed out: To fulfill the arduous tasks of improving the economic environment, rectifying the economic order, and deepening reform under the new situation, we must realistically strengthen the party's leadership, display its political superiority, keep the party and government organs clean and honest, and strengthen and improve ideological and political work.

The conference reaffirmed that party and government organs at all levels and all party members must conscientiously study the regulations of the CPC Central Committee and the provincial party committee on keeping party and government organs clean and honest. At present, the focus of the work is to strictly enforce party discipline and administrative discipline, exert special efforts to investigate and deal with the abominable phenomena of failing to distinguish between official work and business, engaging in illegal dealings, abusing powers and positions to seek personal gains, and engaging in corruption and accepting bribes.

Leading comrades of the provincial party committee present at the conference expressed their determination to exemplarily observe the party's discipline, set an example for the grass-roots levels, and welcome the broad masses of cadres and the people to criticize and supervise the work of the provincial party committee. They also declared that the provincial party committee would not be lenient in handling law violations of the lower levels, that resolute efforts would be made to investigate and handle irregularities in line with law and discipline, and that bureaucrats would not shield one another.

The conference called on party organizations at all levels and all communist party members to unite their thinking with the guidelines of the Third Plenary Session during the critical period of improving the economic environment, rectifying order and deepening reform; deeply recognize and understand reform; and clearly understand their own tasks. As long as the people throughout the province, from the higher to the lower levels, work with one heart and one mind, strengthen confidence, create and make good use of favorable conditions, work vigorously and on our own initiative, we will surely be able to implement the policy decisions of the CPC Central Committee at the lower levels, fulfill the tasks of improving the economic environment and rectifying economic order, and win new victories in reform and construction.

Comrades He Zhukang, Wang Zhongyu, Du Qinglin, and Gu Changchun in turn presided over the plenary meetings. Responsible comrades of the provincial party committee, the provincial People's Congress, the provincial government and the provincial-level organs, and responsible comrades of various city and prefectural party committees gave speeches on the special topics of adopting effective measures for improving the economic environment, rectifying economic order, deepening

urban and rural reforms, strengthening the building of the party, strictly observing party discipline, and strengthening the building of socialist democracy and politics.

**Jilin's He Zhukang Meets Agricultural Experts**  
*SK3110000488 Changchun Jilin Provincial Service  
in Mandarin 2200 GMT 29 Oct 88*

[Text] Leading comrades of the provincial party committee and the provincial government, including He Zhukang, Wang Zhongyu, and Hui Liangyu, paid a special visit to the city of Gongzhuling on 28 October to call on specialists and scholars of the provincial Academy of Agricultural Sciences who are ardently working in the city.

After hearing the report by responsible person of the academy, the provincial leading comrades said that the academy should continuously persist in the orientation of science research serving production and economic work, gradually expand the sphere of scientific research, and strive to make new breakthroughs in overall agricultural development.

Scientific research and [words indistinct] should be well linked up. Scientific and technological findings should be transformed into productive forces as soon as possible. At the same time, efforts should be made to provide society with increasingly more scientific research findings.

At present, we should concentrate on cultivating and popularizing fine seeds and improved breeds of livestock; firmly attend to the popularization and application of scientific and technological findings; and strive to pioneer the range and quality of scientific research work.

Some specialists and scholars were cordially received by the provincial leading comrades. They also set forth good opinions on developing the Songliao plain and transforming low- and middle-yielding land.

**Jilin's He Zhukang on Deepened Enterprise Reform**  
*SK3110004088 Changchun Jilin Provincial Service  
in Mandarin 1030 GMT 29 Oct 88*

[Text] The provincial work conference on deepening enterprise reform was held in Siping today.

The tasks of the conference are to conscientiously study and implement, according to the requirements set forth at the work conference of the provincial party committee, the central authorities' guiding principles regarding improving the economic environment, rectifying the economic order, and comprehensively deepening reform; to summarize and exchange information about the past year's situation and experiences in deepening enterprise reform; and to study the issue of how to grasp

favorable chances to promote enterprise reform under the new situation of improving the economic environment and rectifying the economic order.

He Zhukang, secretary of the provincial party committee, put forward six issues on deeply implementing the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and paying attention to ideologies and principles in the process of further deepening reform: 1) On making a basic estimate of the reform work done over the past 10 years; 2) on accurately handling the relationship between reform and construction; 3) on how to handle well the relationship between the macroeconomy and the microeconomy; 4) on exploring the practices and situation in implementing the public ownership system; 5) on relying on and bringing into play the workers' role as a master; and 6) on strengthening the leadership of the party.

Wang Zhongyu, deputy secretary of the provincial party committee and provincial vice governor, stressed in his speech that deepening enterprise reform is an important part of implementing the central authorities' guiding principles because the reform has brought about gigantic changes to enterprises.

He pointed out: The general principles regarding controlling the scale of capital construction are to control the construction of the projects that should be controlled, to guarantee the construction of those that should be guaranteed, and to restrict those that should be restricted. Enterprises that must be enlivened should enliven themselves, and those that must develop should be developed positively. Problems that should be solved must be grasped firmly and solved.

He also pointed out: Next year, we should conscientiously implement the enterprise law; take the transformation of enterprise operational mechanism as a central link; consciously improve the development of the contract system; reform enterprises' labor and personnel systems; carry out the shareholding system whereby public ownership plays a dominant role; and make greater breakthroughs in promoting the optimum organization of enterprises.

At the same time, we should perfect the market mechanism, enhance the functions for macroeconomic regulation and control, bring political advantages into play, and improve and enhance ideological work.

The conference was presided over by Vice Governor Gao Wen.

**Jilin's He Zhukang Inspects Siping Enterprises**  
*SK3110040288 Changchun Jilin Provincial Service  
in Mandarin 2200 GMT 30 Oct 88*

[Text] On the afternoon of 29 October, He Zhukang, secretary of the provincial party committee and provincial governor; Wang Zhongyu, deputy secretary of the provincial party committee and provincial vice governor, and Gao Yan, provincial vice governor, went to the Siping motor vehicle refitting plant, the Siping sheet metal plant, the Siping joint chemical industrial plant, and 10 other enterprises to conduct investigations and study and visit the cadres, staff members, and workers working on the forefront of production.

Comrade He Zhukang also visited six small enterprises, including the Siping [words indistinct] plant and the Siping second textile mill, to hold cordial talks with workers, learn about the enterprises' production situation, and help them to work out measures.

When the manager of the Siping General Urban Construction Timber Corporation, who was also an outstanding young manager of the country and an outstanding entrepreneur of the province, reported that the corporation would institute the shareholding system, Comrade He Zhukang said: Young entrepreneurs should develop their intelligence and wisdom in the great trend of reform and continuously create new things. Only when the contract mechanism is improved continuously can enterprises have vigor and bright prospects.

At the Siping chemical fiber plant, the Siping joint chemical industrial plant, and the Siping bus plant, Wang Zhongyu and Gao Yan inquired in detail about the situations there in deepening reform. Comrade Wang Zhongyu said: In the new situation of improving the economic environment and rectifying the economic order, enterprises should greatly deepen reform, comprehensively optimize the organization of labor, accelerate intensive management, develop political advantages, continuously summarize experiences, and explore ideological and political work methods in the socialist new period.

**Taiwan Verdict Creates 'Confusion' for Relations**  
*OW0111002488 Beijing XINHUA Domestic Service  
in Chinese 1554 GMT 27 Oct 88*

[Text] Hong Kong, 27 Oct (XINHUA)—According to reports from Taipei, Taiwan's "Higher Court" on 26 October delivered verdicts on two cases involving relations with the mainland. Two Taiwan businessmen accused of "supporting the bandits" by conducting direct trade with the mainland were acquitted, while a Hong Kong businessman who joined the CYL when he was young was sentenced to 5 years in prison for "sedition."

Taiwan's "Higher Court" acquitted Xu Jinkang and Si Guojun, responsible persons of Jiajun Investment Company in Taiwan, who had been accused of "supporting the bandits" for signing a letter of intent on investment with the mainland's Anshan Iron and Steel Plant to build a factory to decompose and process plastic raw materials. The reason for the acquittal is: Since the Taiwan authorities have already approved indirect entrepot trade between the two sides of the Taiwan Strait and indirect trade is not a crime, direct trade should not be a criminal offense.

Taiwan's mass media have raised questions about the Higher Court's sentencing of Hong Kong businessman Zhang Ji who was a CYL member during his youth. Taiwan's ZHONGGUO SHIBAO has questioned whether the sentencing of Zhang Ji because of his previous CYL membership will affect mainland compatriots' trips to Taiwan to visit sick relatives or attend funerals—i.e., whether the authorities will infer criminal responsibility on mainland compatriots who are CPC members during their trip to Taiwan to visit sick relatives or attend funerals. The newspaper has pointed out that the sentencing of Zhang Ji can only create confusion.

**Increased Trade Across Taiwan Strait Reported**  
*HK0111083588 Beijing RENMIN RIBAO OVERSEAS  
EDITION in Chinese 1 Nov 88 p 1*

[Report by Peng Jialing (1756 0857 7117): "Economic Cooperation and Trade Across the Strait on the Increase—7 to 8 Taiwan-Financed Enterprises Were Set Up in Shenzhen in the Past 3 Months"]

[Text] Guangzhou, 31 Oct (RENMIN RIBAO)—Economic and trade activities between the two sides of the strait are continuously increasing. Since July this year, two meetings for economic and trade talks have been held in Shenzhen and Guangzhou. Within a short span of only 3 months, seven to eight Taiwan-financed enterprises have been put into operation in Shenzhen.

Mr Ting Kai-en, chairman of the Hong Kong Taiwan Trade Promotion Association and one of the organizers of the current 1988 Guangzhou Meeting of Chinese Businessmen for Economic and Trade Talks, said here today that the Taiwan people are very enthusiastic about investing on the mainland and setting up factories here. However, only indirect investment is possible at present. Many Taiwan enterprises have already set up branches or offices in Hong Kong to carry out trade with the mainland or to invest there. According to reports, the Taiwan Plastics Industry Share-Holding Company Limited, known as the world's plastics magnate, and other large companies such as "Yuen Tung" and "Hua Long" are among them.

Mr Ting maintained that trade between the two sides of the strait should not be confined to buying and selling, and that the trade volume attainable through joint ventures and cooperation will be much greater than pure import and export of commodities. He said that as viewed from a relatively conservative point of view, if Taiwan shifts the production of \$3 billion worth of its overseas orders to the mainland each year, and if trade in other aspects is included, it is definitely possible for the annual trade volume between the two sides of the strait to reach \$10 billion.

More than 30 small and large Taiwan enterprises are taking part in the current 5-day meeting for trade talks, and one-third of them were participants in the trade talks held in Shenzhen in July. They have brought with them textile, electronic, and chemical products, and machines for processing leather and shoes to have trade talks with more than 100 manufacturers in Guangzhou.

Mr Ting discloses that the Hong Kong Taiwan Trade Promotion Association intends to hold similar meetings for trade talks in other parts of China.

**Future Trade With USSR Under Review**  
*OW0111092088 Taipei International Service  
in English 0200 GMT 30 Oct 88*

[Text] Scholars and members of a trade mission to the Soviet Union said on 29 October: For the time being, indirect trade is still the plausible approach with the Soviet market, but active preparation is also required to pave the way for direct trade in the future. Above all, it is necessary to establish a responsible agency to conduct research and handle relevant issues.

They made the remarks during discussion held at committees of foreign and economic affairs of the Legislative Yuan. Lin Chih-ching, head of the trade mission, said: The government should consider setting up an international company and a trade office in Hungary to handle trade matters concerning the East European and Soviet market. Intermediate companies in third countries or areas, Lin noted, are only tools for local businessmen. To get a foothold in the Soviet market, long-term measures and patience are absolutely necessary. Lin suggested a direct channel be opened between the two countries to change spot [words indistinct] commodities. Overseas branch offices of local banks should establish business relations with their Soviet counterparts. Also, the government should grant visas to Soviet citizens for them to visit Taiwan.

Professor (Wang Kerong) said: Let history remain history. When the private sectors seek to set up an agency to handle trade relations with the Soviet Union, the government should offer whatever assistance when necessary.

Professor (Chang Chih-chun) said that Moscow is seeking to develop Siberia. It might offer golden business opportunities. There is no reason for the ROC [Republic of China] to restrain itself from exploring possibilities of direct trading with the Soviet Union.

**Editorial Supports 10 Trade Countermeasures**  
*OW0111080288 Taipei CHINA POST  
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[Editorial: "Ten Countermeasures"]

[Text] It is reported that the Ministry of Economic Affairs (MOEA) has come up with 10 broad measures to cope with the newly passed American trade bill. It has been widely felt the new U.S. trade bill, known as the Omnibus Trade and Competitiveness Act of 1988, is highly protectionist and may be potentially very harmful to the Republic of China (ROC). We are glad that the MOEA has studied this bill very carefully and designed ten countervailing measures to meet the new American threat.

We believe the Ministry's measures are sound, will have broad public support and, if carried out forcefully and with care, will be effective. The ten measures are:

First, the government will use every channel of communication to let our business community know the contents of the trade bill so that they may adopt appropriate measures to avoid giving excuses to the U.S. for invoking Provision 301 of the trade bill to retaliate against us.

Second, the government will adopt a balanced or neutral trade policy under which we will abolish all measures which may favor exports or hinder imports. We believe this is extremely important. What goods and services should be exported or imported should be determined by competitive market forces, and our "do everything for export" policy should be ended. We should also put an end to our protectionist policy of restricting imports.

Third, tariffs will be further reduced: In two years the average real effective tariff rate—the ratio of total tariff revenue to the total value of imports—will be reduced to a level between 3 percent to 3.5 percent. This is a level already reached by most of the industrially developed countries. We believe insofar as possible a time schedule for such tariff reductions should be published so that our business community may prepare themselves to adjust to the new environment.

Fourth, a relief program will be set up so that those industries which may be hurt by reduced tariffs may receive appropriate subsidies. This is especially necessary for agricultural products. We believe such a relief program is necessary to minimize the pains of trade liberalization, but such a relief program should not be used as a permanent or long-term subsidy to perpetuate those industries which have lost their competitive advantage and stand no chance of surviving without government subsidies.

Fifth, the financial sector will be further liberalized allowing free entry of private banks and permitting more foreign insurance companies to come to Taiwan. We wholeheartedly applaud this move. The problem with our financial sector is not just that the major banks are government-owned and managed. The more fundamental problem is that private banks are not allowed to be established. As a result, government-owned banks enjoy great monopoly power and need not fear competition. Monopoly always breeds inefficiency and corruption. Free entry is the key, the real meaning of economic liberalization. This is true for banking, insurance and any other economic sector.

Sixth, a new exchange rate policy will be developed in order to insure greater stability of the exchange rate, diversify export markets and minimize government interference in the exchange market to give the U.S. fewer excuses for demanding negotiations with us on exchange rates. This is good news indeed. To realize that these objectives may be achieved simultaneously by an exchange rate policy is itself a great achievement. This is an exceedingly complicated matter and we hope such an exchange rate policy will be designed as soon as possible.

Seventh, the welfare and rights of labor will be imported so that the U.S. may not invoke Provision 301 against us by claiming that the rights of workers in the ROC are not well protected. We believe that, whether or not there is an American threat, we should always treat our workers fairly. Since there is evidence that our labor markets have been by and large under highly competitive conditions, our workers have been well treated especially with regard to wages. It is perhaps true that the U.S. is somewhat imperialistic in interfering with labor-management relations in other countries, but we should do everything to insure that our labor markets will remain competitive so that our workers will be adequately protected.

Eighth, export markets will be diversified. This is an objective we have always tried to achieve but without much success. The problem is that trade patterns are

basically determined by market forces: Arbitrary measures to diversify markets will not work and may even be harmful. This problem needs a fresh examination; and careful research is needed.

Ninth, the ROC will try to rejoin GATT so that GATT may serve as a judge to stop America's unreasonable and unjustified trade sanctions against us. No one will object to this, but this is more of a political than economic problem. We believe there are many things we can do to rejoin or cooperate with international economic organizations.

Tenth, a Free Trade Area Agreement with the U.S. will be sought. Again this is a long-sought objective of ours.

We congratulate the MOEA for coming up with these ten measures to deal with the U.S. trade bill. We believe these measures should be enforced regardless of whether there is any American threat created by the trade bill. These ten measures are desirable for our own good.

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